

EUROPEAN NEWS

EC will resist pressure on farm subsidies, says Delors

DAVID BUCHAN IN BRUSSELS

EUROPE can have "a clear approach" both in refusing to make any more immediate cuts in its farm subsidies and in demanding some liberalisation from the rest of the world in response to its internal market de-regulation programme, Mr Jacques Delors, the EC Commission president, said yesterday.

He hoped that Europe - as represented by himself and leaders of the four largest EC states - would speak with one voice at the Toronto summit this weekend with the US, Canada and Japan, which is expected to discuss the world economy and trade, North-South debt issues and East-West relations.

Britain has said it wants the Toronto meeting to make progress on reducing farm subsidies, an issue on which the EC and the US are at loggerheads in the current trade negotiations under the General Agreement on Tariffs and Trade.

He recalled that the recent EC reforms, in particular those agreed last February, had cut community farm spending to Ecu27bn (£17.5bn) this year, from the Ecu34bn that it would otherwise have been. "At the moment what we have done is the maximum our farmers can bear humanly, socially, economically and politically," he said.



Jacques Delors: our farmers can bear no more

Mr Delors was equally dismissive of the fears of non-European states that the Community would ring its liberalised internal market (due by 1992) with an outer coating of protectionism. "Talk of a 'Fortress Europe' mentality is absurd," he said. The community accounted for 25 per cent of world trade, compared with 10-12 per cent each for the US and Japan.

Some economists, Mr Delors said, worried that the planned EC single market could work chiefly to the advantage of the Americans and Japanese. His answer to that was for European companies to "get their act together". The commission planned to tackle the issue of reciprocity "sector by sector", he said, rather than

insisting on any general approach. When the community passed a directive liberalising a President sector, the commission would consider what reciprocal freedoms could be gained from other countries. It would, he said, "carefully distinguish" between sectors (such as industrial goods) covered by Gatt rules requiring concessions to be offered to all parties, and areas not yet covered by Gatt rules (such as many services). Bilateral negotiations would be possible in the latter case.

On the general economic perspective, Mr Delors concurred with the general forecast that the mood at Toronto would be upbeat, because of buoyant economic growth at the moment in Europe, North America and Japan. EC Commission economists, however, see this trend in Europe as precariously dependent on extra liquidity pumped in after the stock exchanges crash last October and the evaporating beneficial effect of the 1986 oil price drop. They also believe Europe's growth rate will only be sustained, not by exports but by internal synergistic growth of the kind that could be created by the EC's 1992 programme.

Mr Delors was sceptical that a meeting that promised to be a hit of a farewell jubilee for President Ronald Reagan would tackle serious distortions in the world economy such as the US trade and budget deficits and Third World debt.

Ministers agree to EC limit on gas for aerosols

By Tim Dickson in Luxembourg

THE EUROPEAN Community yesterday agreed to limit the production of environmentally-damaging chemicals as part of an important global effort to protect the earth from solar radiation.

The decision by EC environment ministers to freeze production of chlorofluorocarbons (CFCs) from July next year, and implement cuts of 20 per cent and 30 per cent in 1992 and 1998 respectively, follows the community's signing of the Montreal protocol on CFCs in September last year.

CFC substances, which are used in a wide range of products such as aerosols, furniture foam, refrigeration and fire-fighting equipment, have caused growing concern because of fears that they may be damaging the earth's ozone layer.

The EC is estimated to account for around 300,000 tonnes of the 1m tonnes of CFC production. Yesterday's decision was only taken after a resolution was inserted at the insistence of Denmark and the Netherlands designed to ensure that member states which wish to take more drastic action to curb the use of CFCs will not inadvertently allow other producers in other EC countries to "take up the slack".

The Dutch, for example, want to ban aerosols with CFCs completely. At the commission's suggestion the council proposed that the restrictions should be applied on an EC basis, with the controls on imports and production rather than specific restrictions on individual products.

A commission expert nevertheless predicted last night that aerosols with CFCs would probably disappear in the next 10 years.

The ministers yesterday also agreed to look into the possibility of labelling non-CFC or "ozone-friendly" products within the EC. Hopes were raised last night that a community plan to reduce sulphur from power stations and other industrial complexes would be agreed after a significant concession by Britain.

The UK Government had previously said that the commission's proposals went too far, but last night Lord Calhoun, junior environment minister, agreed to step up Britain's scheme to cut pollution.

Soviet press attacked for failing to report Armenian protests

BY QUENTIN PEEL IN MOSCOW

AN ATTACK on the failure of the Soviet media to report on the new upsurge of nationalist rivalries in the southern republics of Armenia and Azerbaijan has finally been published in a national newspaper.

The latest outbreak of hostility between the largely Christian Armenians and Moslem Azeris, which has brought tens of thousands of demonstrators onto the streets of the two republics, and precipitated a state of virtual anarchy in the mountain enclave of Nagorno-Karabakh, has provided a graphic illustration of the limits of glasnost, Mr Mikhail Gorbachev's policy of greater openness in government and information.

The only substantive report from the region to reach the national media was published in Pravda last week, three weeks after the start of a general strike in Nagorno-Karabakh, the mountain enclave in Azerbaijan which wants to be incorporated into neighbouring Armenia.

No mention has been made on national television or radio, in spite of the fact that Pravda admitted that the local authorities had effectively lost control of the situation, leaving vigilantes patrolling the streets, and food rationing in force.

The dramatic sackings of the two Communist party leaders in the two republics were printed, but said to be simply for health reasons - an explanation which brought at least one scathing letter to be published, but no formal correction or clarification.

Yesterday, however, the newspaper Komsomolskaya Pravda, organ of the youth wing of the Communist party, published an account of the continuous mass demonstrations which have been held by Armenians in their capital, Yerevan, in support of Nagorno-Karabakh.

"We don't understand the mass media's viewpoint in all this, particularly the central newspapers," one demonstrator declared. "Why are they silent? How can we talk of glasnost in such circumstances?"

"We are tired of contradictory information, rumours to which the official press does not react," another said.

The newspaper told how the theatre square in Yerevan had been transformed into a sort of speakers' corner, like London's Hyde Park. "Speakers mount the theatrical tribune to say exactly what they think. Much of the time, in the times of stagnation (the Brezhnev years) would have been labelled seditious," the correspondent writes.

He blames the whole new upsurge of passions on the tragic race riots in Sumgait in February, when Azeri youths turned on Armenian migrant workers, leaving a death toll officially put at 32, and rumours of new attacks in the offing.

The demonstrations were called off on Monday, after the new Communist Party leader in Armenia, Mr Seruz Arutunyan, promised the republic's supreme soviet would vote in favour of union with Nagorno-Karabakh.

However the vote does nothing to solve Mr Gorbachev's problems, because party leaders in Azerbaijan are equally adamantly opposed to any border change.

According to the Soviet constitution, any alteration must have the consent of both republics, and the endorsement of the Supreme Soviet of the USSR in Moscow. In reality, the politburo of the Communist Party central committee must work out a solution to satisfy both sides.

The Armenian assembly deliberately voted not to consult its Azerbaijan counterpart, arguing that the issue can be solved under a different clause of the constitution, which simply guarantees the right of self-determination. Azerbaijan simply argues that article 78 states clearly: "The territory of a union republic may not be altered without its consent."

Komsomolskaya Pravda quoted an Armenian demonstrator: "If we are driven into a corner by the existing law, then it ought to be re-examined."

It quotes the "disturbing conclusion" of an opinion poll in Yerevan: "All possible traditional forms of protest had no effect on our government."

The newspaper says: "If there is a demand for information, then it ought to be satisfied. Otherwise it brings about a situation where tensions are high, and people are left to guess, and make up their own version of events, and at times begin listening to nonsense."

Amex plans Soviet cash dispensers

By David Lascelles

AMERICAN Express has signed an agreement with the Soviet authorities to operate what it claims are the first cash dispensers in the Soviet Union.

The machines will be for foreigners' use only. The agreement, with the Bank for Foreign Economic Affairs of the USSR, provides for the installation of two machines which will dispense either US dollar travellers cheques or 10-rouble notes.

Soviet citizens may not hold foreign credit cards because of foreign exchange controls.

UK urged to axe Navy Malta visit

By Geoffrey Grimis in Valletta

OPPOSITION in Malta to a courtesy call by four Royal Navy warships escalated further yesterday with trade unions, the international Greenpeace movement and the opposition Labour Party stepping up pressure for Britain to call off the four-day visit.

Objections centre mostly round the claim that some ships may be carrying nuclear weapons.

It is also claimed that frequent visits by Nato warships impinge on Malta's constitutionally enshrined neutral and non-aligned status.

Foreign Minister Dr Vicent Tabone said the Government would equally sanction requests for visits by ships from Warsaw Pact countries.

Greece to press transport case

BY WILLIAM DAWKINS IN BRUSSELS

GREECE, which takes over the EC presidency next month for six months, is expected to press for agreement on plans to spend Ecu630m on improving the community's roads and railways up to 1992.

Transport ministers will have their first chance to discuss the proposal, put forward by the EC Commission earlier this week, at a two-day meeting starting next Monday. It is likely to come under fire from the UK and the Netherlands, who prefer to stick to the present system of releasing EC transport spending - Ecu60m this year - in annually negotiated parts.

But the proposed transport fund is being seized on by southern member states as a welcome compensation for the extra competition they will face from their northern members.

The Brussels executive sees it as a way of bringing EC transport links up to the demands likely to be made on them by the creation of a free single market.

It is proposing that spending on road and rail links should double to Ecu120m next year and then rise again to Ecu150m for the following three years.

Modernisation of roads between southern Germany,

Italy and Greece, improvement of road and rail links between Paris, Madrid and Lisbon, Channel Tunnel connections and high-speed rail lines for northern Europe are among the projects the commission has earmarked for possible help.

The UK yesterday affirmed its support for Europe's Eureka initiative at a meeting of European industry ministers in Copenhagen. Of the 54 new projects approved by the ministers, UK companies are participating in 17, bringing the number of UK companies involved in Eureka projects to 77. Only France has more companies participating.

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Mitterrand tightens amnesty

BY IAN DAVIDSON IN PARIS

FRENCH President Francois Mitterrand is keeping up the tradition of celebrating the start of a presidential term with an amnesty or remission of sentences for minor offenders.

But the amnesty is being more tightly drawn than after his first election victory seven years ago, when the extent of the presidential pardon was particularly generous.

The tradition was inaugurated by General de Gaulle after his election in December 1965, though it was not promulgated until six months later. Subsequent presidents have enacted an amnesty immediately after their election.

On this occasion, the amnesty includes (as usual) a clean sweep of unpaid fines for parking and minor traffic offences, incurred up to the start of the new presidential term. The effect of the tradition is that almost nobody pays a parking ticket in the run-up to a presidential election.

For more serious offences, the amnesty wipes out prison sentences of up to four months, and suspended prison sentences of up to a year; by contrast, the 1981 amnesty included prison sentences of up to six months, and suspended prison sentences up to 18 months.

The text of the 1981 amnesty provoked charges from the right wing that France's first socialist president was being excessively generous.

Moreover, this time the amnesty will exclude all offenders convicted of any terrorist offences; in 1981 the exclusion applied only to offences which led to death or serious wounding.

The amnesty does not apply to drunken driving offences; in 1981 this exclusion applied only to offences which led to accidents.

The amnesty is expected to lead to the release from prison of some 4,500 prisoners, compared with around 6,000 in 1981. But it will also lead, like the 1981 amnesty, to an apparent increase in the rate of minor crime, since many of the minor offenders released are liable to be recidivists.

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Advertisement for Kuwait Airways featuring a pilot and the text 'A Nation and the World congratulate a pilot, an airline and a government...'.

Advertisement for Ambrosiano bank featuring a graph and the text 'Despite a difficult market ANOTHER YEAR OF PROGRESS!'.

EUROPEAN NEWS

Promise of extra benefits for Sweden after election

BY ROBERT TAYLOR IN STOCKHOLM

SWEDEN'S ruling Social Democrats yesterday unveiled their manifesto for the general election on September 18 and promised to increase paid parental leave from nine to 18 months along with other improvements in the benefits system.

The parental leave will cost about SKr5m (€550m) by the time it is fully in operation by 1991, according to the Finance Minister, Mr Kjell-Olof Feldt.

The Social Democrats also intend to increase statutory holidays from five to six weeks, and they promise that every child in Sweden over the age of 18 months will have the right to a place in a nursery school within three years.

But Mr Ingvar Carlsson, the Prime Minister, said that a re-elected Social Democrat government would carry through a major reform of the country's taxation system.

Income tax would be cut next year to stimulate work and savings, while the improved welfare provisions would be paid for by higher indirect taxation, by increases in contributions from capital and by tighter government spending.

Mr Feldt denied yesterday that Mr Carlsson's tax would be increased from the present rate of 23.4 per cent on items such as food, cars, books, clothes and eating out.

However, there are still untaxed goods, such as water, stamps, public amusements, phone calls and travel.

DENMARK'S coalition government, formed two weeks ago, suffered its first setback yesterday as a centre-left majority in the Folketing prepared to block its first big economic policy initiative.

Prime Minister Poul Schlüter's Conservative-Liberal-Radical Liberal minority coalition wanted a 2 per cent cut in public employees wage budgets.

But a combination of the two socialist parties, the Social Democrats and the Socialist People's Party, and three non-socialist parties, the Folketing's economic policy committee the proposal was overruled as the fiscal year was already half over. These parties have a majority.

The party said it would spend SKr500m to the next three years on improving Sweden's cultural life and carry through a big programme to protect the environment.

Mrs Anna-Greta Leijon, who resigned last week as Minister of Justice in the midst of a scandal over her sanctioning of a private inquiry into the murder of former Prime Minister Olof Palme, sat alongside Mr Carlsson at the press conference when the election manifesto was unveiled.

This is a clear sign that the Government is in no mood to disregard a leading member of the party, who was a popular minister. Mrs Leijon will play a big part in the campaign and she can expect to receive another senior ministerial post if the party wins.

However, the latest opinion polls suggest that the Social Democrats would remain the party with by far the largest number of seats in parliament, could fail to secure a working majority or retain their alliance with the Communists. The Communists have fallen below the 4 per cent of support that they require to secure seats in parliament.

The balance of power after the election could be held by the Green Party which has about 6.5 per cent of support. The Greens have not won seats in parliament before, and although the centre-right regard them as on the left, the Social Democrats fear they would be unreliable supporters.

A little bit of West Berlin goes East

For 34 years West Berliner Hans Wendt crossed the Wall to his East German farm. Leslie Colitt reports

WHEN Mr Hans Wendt, one of the last farmers of West Berlin, died three months ago at the age of 71, people put it down to a broken heart.

After 34 years of working the sandy soil of Mark Brandeburg he faced the prospect of his 54-acre property being transferred to the communist authorities.

His disposition was part of an East-West commercial deal with strong political overtones.

Farmer Wendt's leasehold property belongs to West Berlin even though it lies three miles inside East Germany.

On July 1 it will be swapped along with three other bits of West Berlin for 12 chunks of uninhabited border land belonging to East Berlin and East Germany.

While West Berlin is delighted with the benefits from the exchange, East Germany will top up its hard currency reserves by DM76m (€25m). This is what West is paying because the barren inner city real estate being handed to East Berlin is deemed more valuable than the more marginal West Berlin property.

One of the plots West Berlin is getting lies on Potsdamer Platz, the bustling pre-war heart of Berlin but now an uninhabited border strip with tall grass and trees which West Berlin has long coveted for a road. West Berlin environmentalists last month occu-

pled the 40,000 sq metre area for weeks to claim it as a nature preserve and the city is still deliberating how to evict them.

East Germany, with Moscow's support, now sees its political and economic interests best served by co-operating with West Berlin instead of trying to combat it as in the past. East Germany annually relieves West Germany of more than DM500m in transactions connected with West Berlin. It sells DM1.5bn of goods to the city, including some of the toughest pork meat in Europe.

Under a recent agreement with West Germany, East Germany will obtain peak load electricity from West Germany which is extending its power grid to West Berlin. More benefits will accrue to East Berlin if a high-speed rail link is built across East German territory between West Germany and West Berlin.

These technocratic triumphs interested Mr Wendt not a whit. He was about to lose his idyllic Wueste Mark Farm nestled between thick stands of beech and oak south of West Berlin. It is one of three tiny West Berlin

enclaves inside East Germany which are to be exchanged for socialist territory.

The agreement to swap property was reached last February by the Mayor of West Berlin, Mr Eberhard Diepgen, and East Germany's leader Mr Erich Honecker after four years of haggling over the price. The city of West Berlin said it would compensate Mr Wendt. But he knew that the loss of Wueste Mark meant the family stable of Arabian riding horses in West Berlin was unlikely to survive without cheap fodder and hay from the farm.

After nine years as a prisoner of war to a Soviet labour camp Mr Wendt returned in 1954 to the family farm at Frenzau in East Germany. But as it was larger than 150 hectares it had been expropriated by the Communists. Arriving in West Berlin he was told by the authorities in the suburb of Zehlendorf about an isolated farm owned by West Berliners which no one wanted to till. It happened to be in East Germany but Mr Wendt was unfazed.

"After coming out of a Soviet labour camp I thought to myself how much worse could it be," he recalled shortly before his death.

Each day Mr Wendt drove his tractor five miles from his home in West Berlin to the East German border. After the painstaking controls it was another three miles to the farm and back again each evening. But his produce quickly found a market in West Berlin which lasted until cheaper Italian vegetables arrived. At no time was he allowed to sell to East Germans who, in any case, had only non-convertible Marks.

On the day the Berlin Wall was built, August 13, 1961, Mr Wendt happened to be in East Berlin to pick up a quarterly permit required for entry into East Germany. When the Volkspolizei rushed him out of East Berlin he saw his farming career at an end. But acting on a hunch he asked the West Berlin authorities to issue him a new identity card which proclaimed him to be a resident of Wueste Mark instead of West Berlin. The next morning he headed for the East German border to try his luck.

"I pushed aside the concrete anti-tank barriers they had put up" he had noted. "No one stopped me."

The East German border guards suspiciously examined his West Berlin identity papers but after much consultation with headquarters in East Berlin it was decided that legally one could not prevent a West Berlin farmer from tilling his East German farm.

Since then Mr Wendt, who was one of the only non-collectivised farmers left in East Germany, crossed one of the world's most tense frontiers with clockwork regularity. In recent years he saw it become a good deal more relaxed.

What will the East Germans do with Wueste Mark? Mr Wendt thought it would either be planted over with trees or transferred to the nearby Gueterfelde collective farm.

Although overcome with sorrow over the imminent loss of Wueste Mark, Mr Wendt never gave up his claim to a piece of property he inherited in East Germany in 1946. It is a nursery located at Gross Zietzen just outside West Berlin.

"The East recognises me as the owner but they won't permit my name in the title register," he said. He suspected the reason was that the East German title holder of the nursery owed him money - albeit East German Marks - since taking over the property in 1946.

Glasnost penetrates old enmities on Soviet border

Jim Bodgener reports on moves to open a border crossing closed since the start of the Cold War

BORDERS have a strange fascination, arbitrary lines politically or culturally imposed upon an often uniform landscape. None perhaps more so than at Sarp, a hircured hamlet in a small, wooded cove between the Soviet Union and Turkey on the south-eastern Black Sea shore.

It seems a forgotten, peaceful backwater, yet this closed border crossing is a focal point of relations between the Soviet Union and Turkey, a key member of the North Atlantic Treaty Organisation on the alliance's exposed southern flank.

Not that Sarp would have much wartime strategic value for Moscow - its main conventional thrust would come from where it always has, rolling through the Kars Gap, some 120 miles away over the mountains to the south. There is only a single regiment of Turkish soldiers guarding Sarp.

The planned opening of the Sarp border gate this summer is more symbolic of a warming in Turkish-Soviet relations, amounting almost to glasnost. Recently, the Soviets conceded an extension of Turkish airspace in the Black Sea and although there have been negotiating hiccups, bilateral trade is expected to grow steadily on the back of sales of Soviet natural gas for Turkish industry and home heating.

Sarp's division through the demarcation of the border during the founding of the Turkish republic in the 1920s was cemented for its 900-strong population - 600 villagers live on the Turkish side - when the Cold War began in the late 1940s, years before another more tangible concrete wall divided Berlin.

Since then, they have been forbidden to irritate Soviet sensitivities by even shouting or waving to friends and relatives, though no doubt many a surreptitious message is hung on washing lines. To visit each other, villagers on either side are forced to make an arduous two-day journey through the Dogukapi border crossing to the east of Kars, if permission can be begged from the authorities.

A couple of weeks ago, however, the sleepy hollow of hazelnut and tea small-holdings was invaded by two bulldozers of tour-

activity to be seen: if the opposite valley slope was bristling with security and surveillance devices, they were well hidden. Before a beach of black sand, two ramshackle, gawky guard towers faced each other, the Turkish grey, the Soviet green and, surprisingly, the lower of the two. Between them is reported to be a wooden bridge with a line representing the border across its width.

As cormorants dried their wings on the rocks, it was hard to imagine TR trucks or tourist charabancs rumbling through the border post, if and when it opens. Curiously, it is the Turks who appear to be dragging their feet, since their road from the port of Hopa as yet is little more than a rough track hewn from the bluff, pine-clad spurs of the Kakkar mountain foothills that fall steeply into the sea. The road on the Soviet side seemed hardly much better.

A Turkish customs house has just been completed. The Soviet customs facilities have been ready for three years.

Diplomatic and business sources say the regional authorities fear economic domination by the more developed city of Batum a few miles into the Soviet Union, already a prime Eastern bloc tourist resort. By contrast, an air of dismal depression shrouds Hopa, with fast-fading memories of a short-lived heyday during the Middle East development boom in the 1970s and early 1980s, when it was an important transshipment entrepot for Iran and Iraq-bound goods.

It had been hoped that the tourists and the gaggle of pressmen could at least have tea on the other side, but this was not to be. Although an agreement was signed in the spring, Sarp's opening date progressively has been put back - scheduled first for June 17, then June 27 and now July or August.

The villagers themselves were singularly unimpressed by the prospect - little would change for them, they said, and there was no guarantee the border would not be closed again. Down in this neck of the woods, glass most still had a long way to travel.



ists on a trip to promote the mountainous province of Artvin - in Georgia of yore, nesting against the Soviet border - as a tourist paradise. It was organised by an American tourism consultant based in Istanbul and, as often happens on such exotic excursions, a good proportion of the tourists actually were working journalists out for good copy.

On the Turkish side, while a stream babbled under the fitful sunshine and a light breeze wafted the scent of blooming rhododendrons, azaleas and lilies, television cameras whirred and pens scribbled to catch sorrowful accounts by ageing villagers of land expropriated on the other side, and parted friends and relatives.

Journalists and tourists alike were under strict instructions from their military escort that under no circumstances should their cameras point towards the Soviet side. Three months earlier, a photo in the Istanbul daily Hurriyet had earned a complaint from the Soviet embassy.

There was not much Soviet, travel.

Rampaging steelworkers wreck Naples' civic treasures

BY JOHN WYLES IN ROME

ITALIAN attention was yesterday drawn away from the violent activities of football hooligans on West German streets to the extensive damage inflicted by 500 or so rioting steelworkers inside two of Naples' antique public buildings.

"Hooligans" was one of the first words reportedly used by Naples' Socialist mayor, Mr Pietro Lezzi, to describe the rampaging workers who had invaded the offices of both the regional and city governments and then set about breaking everything in sight from gilded mirrors and marble busts to chairs and furni-

ture of description.

For some people the scenes carried by the television evening news brought back memories of the 1970s, when factory occupations and worker violence were part of the daily drama of an Italian society being strained at its seams. But apart from the Naples mayor and the five traffic policemen injured during the protests, few people were inclined yesterday to roundly condemn the steelworkers in public.

The Liberal Party did at least

ask the right question: how was it that upwards of 1,000 people could descend on the city centre and force their way into public buildings without the forces of law and order raising any significant number of heads above the parapet?

One possible answer offered by Mr Walter Galbusera, a national official of the Uil union confederation yesterday, was that the police "felt some solidarity with the steelworkers". Mr Galbusera said he saw some moral justification for the riot because of the depth of fear and exasperation at the Bagnoli steelworks.

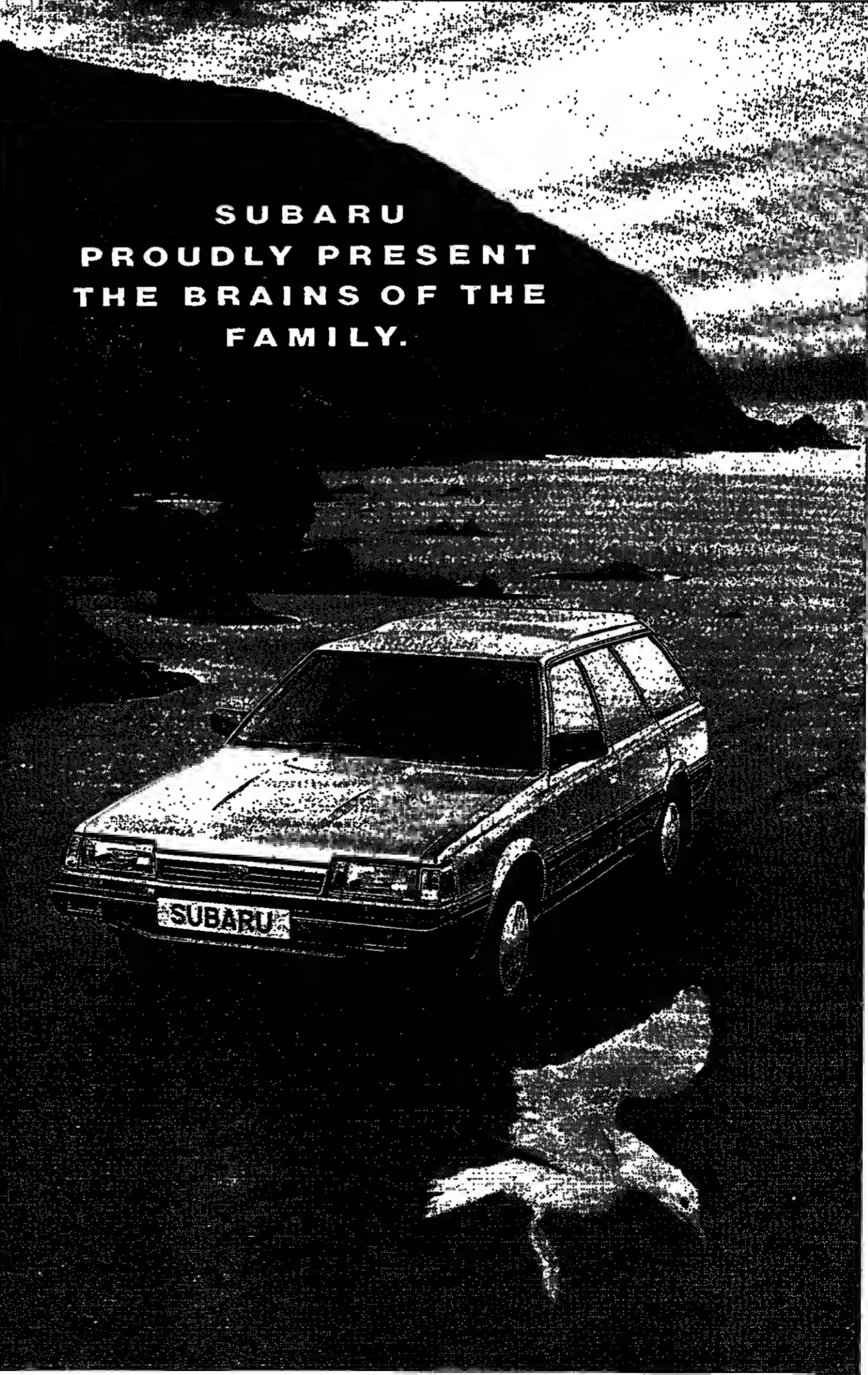
The demonstration had been launched by the news that the Government intended to close Bagnoli's steel melting shop in a year with the loss of 1,200 jobs, but that about 1,000 would be saved by keeping open its rolling mill. This is part of the steel restructuring plan carried yesterday by the European Commission in Luxembourg by Mr Carlo Francanzani, the Minister for State Participation.

Mr Galbusera said: "Ten years ago there were about 10,000 employed at Bagnoli. The workforce accepted big cuts and the 5,000 remaining at the start of the

1980s were told that the final price of restructuring had been paid. Now a thousand or less will be left and it is not surprising that they feel betrayed and believe that the plant is heading for closure.

Italy's leading banks have raised many of their lending rates after signs of renewed concern at the Bank of Italy about the growth in bank credit.

The increase in rates of between 0.25 and 0.5 per cent appears to have been countered by the leading banks, although the increases are not being uniformly applied to all rates.



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AMERICAN NEWS

Labour court undermines Brazilian public pay cuts

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL'S EFFORTS to cut sharply its public sector wages will have been undermined by a Supreme Labour Court ruling that the Government's key measure is unconstitutional.

Other austerity measures have included a freeze in state and municipal budgets, and cuts in federal spending programmes.

Since the salary freeze, which applies to all government staff including the armed forces, preliminary labour court adjudications have suggested that discrimination against public employees is illegal.

Summit planner quits White House

THE WHITE House yesterday announced the long-expected resignation of Mr Thomas Griscorn as President Ronald Reagan's communications director, our Foreign Staff reports.

Haiti feels pinch as US aid is cut back

A SHARP cut-back in US aid to Haiti has hit the Western hemisphere's poorest economy hard, diplomats and government officials say, Enter reports from Port Au Prince.

Government projects have come to a halt, public servants have gone without pay for three months and health programmes are suffering.

US aid was slashed after a general election last November - the Caribbean country's first free vote in 30 years - was aborted because of violence in which at least 43 people died.

Salaries stopped and health projects scrapped in economic squeeze

Senate opposition to Kuwait arms sales

SEVERAL senators yesterday attacked a proposed \$1.9bn US weapons sale to Kuwait that includes advanced fighter aircraft and an array of bombs and air-to-ground missiles, AP reports from Washington.

It is "inconceivable" that the White House would contemplate such a large sale to a country so small and which has been on less than friendly terms with the US until recently, Democratic Senator Dennis DeConcini told Secretary of State George Shultz at a hearing before a foreign operations appropriations subcommittee.

Chileans urged to vote 'No'

CHILE'S Communist Party has called for a 'No' vote in the forthcoming presidential plebiscite, as part of a "united struggle" against General Augusto Pinochet's regime, Mary Helen Spooner writes from Santiago.

Big rise in Peruvian interest rates

THE PERUVIAN Government has taken a long-awaited step to raise interest rates substantially. The annual rate for savings deposits shot up to 133.18 per cent from 42.33 per cent.

In an announcement late on Wednesday, the central bank said it was increasing interest rates to encourage savings by businesses and individuals, and "to avoid circulation of money outside the financial system."

Peru's galloping inflation had left savings rates, as well as borrowing rates, negative. To avoid losing against an inflation rate that many predict will exceed 300 per cent this year, savers have been changing their money into dollars on the parallel market.

Days to more than 720 days, will now earn between 110.53 per cent and 139.91 per cent. Borrowing rates for loans of less than a year have increased to 120 per cent from 55 per cent, for loans of 719 days to 130 per cent from 65 per cent, and for loans of more than 720 days to 140 per cent from 75 per cent.

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Managua raises petrol price

THE NICARAGUAN Government has nearly doubled the price of petrol in the wake of a big devaluation of the córdoba, AP reports from Managua.

Dukakis heads South dogged by budget row

GOVERNOR Michael Dukakis the likely Democratic candidate for President, left Boston yesterday for an image building swing through southern states where he must refute Republican charges that he is just another tax-and-spend Massachusetts liberal.

Beech-Nut executives face jail for consumer fraud

TWO FORMER top executives of the Beech-Nut Nutritional Corp. were sentenced yesterday each to a year and a day in jail and fined \$100,000 for distributing phony apple juice for babies, AP reports from New York.

Beech-Nut executives face jail for consumer fraud

Assistant US Attorney Thomas Roche called the case "one of the largest consumer frauds prosecuted by the Justice Department."

Beech-Nut executives face jail for consumer fraud

Judge Platt also ordered both to pay court costs as well as a special assessment of \$50 for each of the hundreds of counts on which they were convicted.

OVERSEAS NEWS

Saudi relief as Tehran shuns Haj pilgrimage

SAUDI OFFICIALS were yesterday breathing a sigh of relief over an apparent climbdown by Iran over sending its pilgrims to the annual Muslim Haj to Mecca this July.

Peking posters point finger of protest at the Party

THE WALLS are talking in the Chinese capital. Each evening, with torch and tape recorder in hand, Peking University students read the multi-coloured protest posters plastered around their campus and record the messages of a medium that has its origins in imperial edicts.

Robert Thomson reports that students have resorted to an ancient medium to declare their anger

Some are da-zi-bao, the big character posters made famous during the cultural revolution two decades ago, others are long and verbose thoughts on party policy or denunciations of leaders written in small script on the torn-out pages of an exercise book.



Students study wall posters in Peking

Dalai's plan for Tibet rejected

CHINA HAS rejected a proposal by the Dalai Lama, the exiled Tibetan leader, for Tibet to be made a self-governing entity with the Chinese Government handling foreign policy and keeping troops in the region.

Leisure investment boom plays its part in Japan's growth surge

A JAPANESE supermarket operator, Ito-Yokado, has suspended sales of South African peaches and canned fruit cocktail because of that country's racial policies, a company official said yesterday.

World Bank change urged

MORE THAN 600 parliamentarians and legislators from most of the leading industrialised countries have called for three big changes in the World Bank's policies.

Leisure investment boom plays its part in Japan's growth surge

THE SURGE in Japan's economic growth rate paradoxically owes something to the fact that the Japanese are at last learning to take more leisure, according to Mr Takeshi Ohta, deputy governor of the Bank of Japan.

World Bank change urged

Among the contributing factors to the 11.3 per cent increase in annualised economic growth during the first quarter of this year was a sharp rise in capital spending by the services sector which is building more hotels and other leisure facilities.

World Bank change urged

The call, which includes measures to ease these states' external debt burden and to alleviate the impact of structural adjustment policies on the poor, comes in a letter to Mr Barber Conable, President of the Bank.

World Bank change urged

It is signed by more than half the British House of Commons including more than half all Conservative back-bench MPs. In the US it has been supported by 230 members of Congress.

World Bank change urged

It also urges the bank to apply social indicators such as child mortality, life expectancy, and access to safe water, as well as economic indicators, when measuring progress in development.

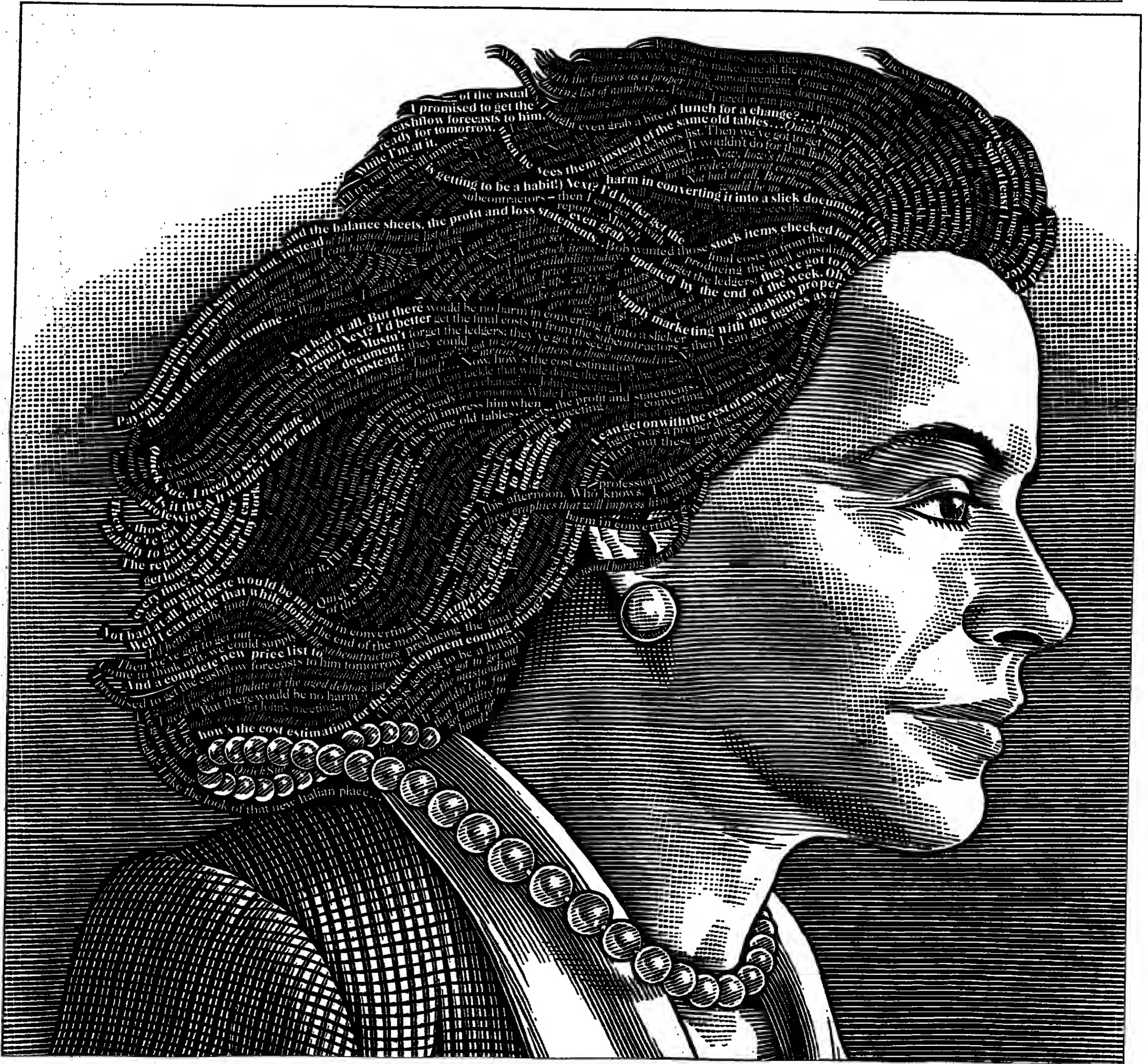
World Bank change urged

which the current quarter will be compared were boosted last year by front-loading of government spending, a policy which is not being repeated in 1988.

World Bank change urged

Japan faces rising criticism over trade with South Africa. Last year, Japan became South Africa's largest trading partner, at \$4.57bn, surpassing West Germany and the US.

“IBM’s 386-based PS/2 range: no sooner thought, than done...” For a world in which the speed of business is accelerating daily, IBM announces more additions to the Personal System/2™ range (built around the Intel 80386 processor). They offer more storage, more power, more versatility and more speed. In fact, the new state-of-the-art desktop Model 70-A21 can run the 386 at an amazing 25 Mhz. But instead of just adding this chip to existing technology, IBM has created Micro Channel™ Architecture. This unique design releases the full power of the 386; provides integrity of data; increases reliability and, in harness with OS/2 software, allows real multitasking – the ability to think, work and respond as quickly as you do yourself. Together, PS/2 and OS/2 are laying the foundations for personal computing well into the 1990s. **“I think, therefore IBM.”**



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WORLD TRADE NEWS

Tim Coone on a complex trading pattern since the Falklands War

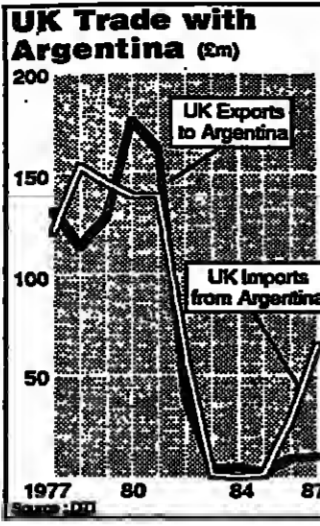
Argentine-UK traders take to tango

THE TANGO is one of the most complicated dances to master - a combination of quick and slow steps, followed by twists, twirls and dramatic pauses, all carried out to the constantly changing rhythm of a pair of passionately counterpoised accordions.

The same could be said of the pattern of trade between the UK and Argentina since the 1982 war over the Falkland Islands. In this case the accompanying music is played by the two governments - one lightly skipping over the issue of sovereignty, the other skimming in the dramatic pauses on trade: the dancers - the businessmen - twist and twirl and do their best to adapt their corporate tactics to the vicissitudes of the stop-go diplomatic shuffle.

The visit to Uruguay last month of Mr Timothy Eggar, the British under-secretary on Latin American affairs at the Foreign Office, emphasised the hiatus in the music score. Mr Eggar made yet another appeal for Argentina to lift its trade restrictions on imports from the UK as the way forward to improve relations: he was told by his Uruguayan counterpart that Argentina continues to insist on the islands' sovereignty issue being discussed as the *quid pro quo* for the lifting of trade sanctions.

Officially there are no sanctions, but Argentine importers have first to request permits from their trade secretariat and the central bank - where the requests lie unanswered if the



origin of the goods is stated as being in the UK.

So how is it that Scotch whisky still fills the shelves of Buenos Aires bars, Rolls-Royce engines still power the jet aircraft of the recently privatised Austral airline and carpentry tools bearing the name of a certain well-known part in the Falkland Islands can still be bought in hardware stores?

The answer: triangulation. The third partner to this particular tango are the subsidiary businesses or trading associates in Europe, Brazil, Uruguay or the US through which goods pass and have their certificate of origin changed. They then slip through the trade secretariat's computer in Buenos Aires like a perfectly executed *arpeggio*.

Mr Philip Baikes, the local representative of the Argentine-British Chamber of Commerce, estimates that on average this puts up the cost of UK products by some 28-30 per cent in the Argentine market - a formidable but not insurmountable trade barrier if the product is right.

The UK lifted its trade sanctions with Argentina in 1985, resulting in a sharp upturn in imports from Argentina, although they have still not recovered to pre-war levels. Latest figures from the Argentine-British Chamber of Commerce show that Argentine exports more than doubled to some \$110m (£61m) in 1987, compared with \$50m in 1986.

none the less lost ground to other competitors.

Even this modest upturn in trade, however, has been enough for one British shipping consortium to offer a container service between Buenos Aires and Tilbury, by sharing shipping slots with some European partners.

Sanctions preventing British vessels calling at Argentine ports are thus nearly side-stepped, by having a French or German vessel carry the cargo while the British consortium carries some of their cargoes from Uruguay or Brazil to Europe.

Pragmatism also succeeded in jumping the political barriers in a joint ticketing arrangement with the Argentine state carrier Aerolineas Argentinas last year. There are still no direct flights but the agreement enables travellers between the two countries to catch quick connecting flights through Rio de Janeiro or Madrid and transfer between one airline and the other on the same ticket.

Meanwhile, triangulation will continue to provide the way for Argentines to indulge their desires for the forbidden fruits of the Reviled Empire. Tussles over squid or military manoeuvres notwithstanding, there is little likelihood that the Government has plans to interfere with the roundabout trade - after all, an Argentine Navy cocktail party without Scotch would be like a modern naval war without Exocets - unthinkable.

Airbus sales cleared by Cocom

AIRBUS Industrie, the European aircraft consortium, has received the go-ahead to sell its airliners to Eastern bloc countries, Western diplomats said yesterday, Reuter reports from Paris.

The decision clears the way for the first sales of Western high-technology planes to the East.

The sources said Airbus's main rival, Boeing, was still awaiting clearance from Cocom, the Western watchdog on high-technology exports to communist countries.

Cocom has decided that Airbus would be allowed to sell three of its A-310 medium-haul jets to East Germany's Interflug airline, provided they were serviced in the West.

However, the sale of Boeing's 767 airliners to Poland and Romania is unlikely to be blocked following the Airbus decision and would, according to Western diplomats, probably be cleared in a couple of weeks.

Both Airbus and Boeing had to obtain Cocom clearance because the airliners have highly-sophisticated avionics which could be used in military aircraft. The sources said Luftansa, the West German airline, would service Interflug's new Airbus to avoid the risk of the technology being used for military ends.

France fails to block US soya bean claim in Gatt

BY WILLIAM DULLFORCE IN GENEVA

THE COUNCIL of the General Agreement on Tariffs and Trade yesterday agreed to set up a dispute panel to hear a US complaint against the European Community's soya bean subsidies, despite an unprecedented attempt by France to block the decision.

US insistence on taking the dispute to Gatt has become a sensitive political issue. The EC had warned that the US action, which it sees as aggressive, could paralyse crucial negotiations on the reform of agricultural trade.

However, 11 of the 12 EC countries this week agreed to let the investigation go ahead, and Tran Van Thinh, head of the EC delegation, told the council that the community would accept a panel.

Mr Jean-Francois Boitini, head of the French delegation, promptly stated that France could not allow a panel to be established. By tradition, decisions in the council are taken by consensus.

After a lively debate, in which several countries queried the validity of commitments made by the EC Commission on behalf of the 12 community members, the French objection was overruled.

Mr Arthur Dunkel, Gatt's director-general, said that under long-established practice the representative of the EC Commission had the authority to commit

others, William Dullforce reports from Geneva.

The US said as a result it would soon request multilateral consultations under Gatt to discuss exactly what was planned to do to bring its practices into conformity with the panel report.

ences between the EC and the US approaches to agriculture, Tran Van Thinh said yesterday. Farm intervention costs had been roughly Ecu70bn (£22bn) a year for each in the 1984-86 period. But whereas in the US the equivalent of Ecu50bn had been paid directly to farmers, and Ecu20bn had been borne by consumers, in the EC only Ecu20bn had gone to farmers and Ecu30bn had been paid by consumers.

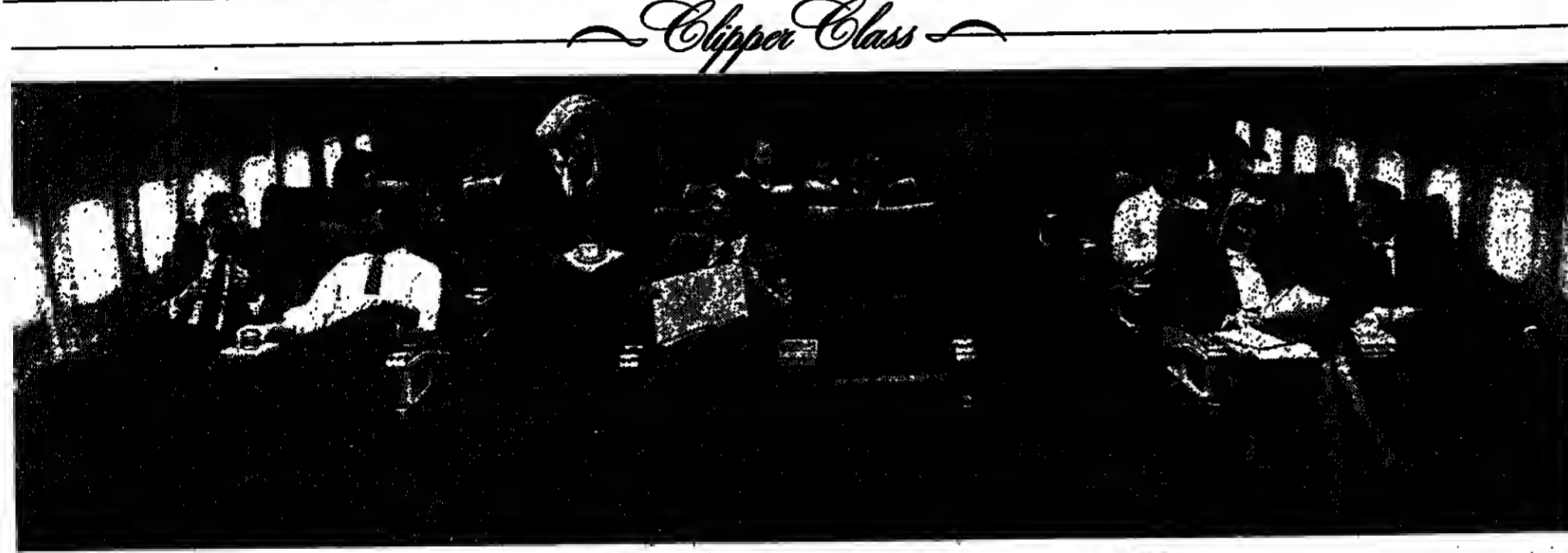
The community agreed to a Gatt panel on the soya issue, to demonstrate the importance it attached to the Gatt dispute settlement system. Tran Van Thinh said. But, he warned, whichever way the panel decided, its ruling could be damaging to the farm trade talks. Brussels, Washington stood to have a dispute under review that it would make sure the Gatt panel did not report before the mid-term review of the Uruguay Round negotiations by trade ministers at Montreal in December.

The EC will also push ahead with its "tit-for-tat" charge that US import restrictions on sugar, dairy and other farm products, imposed under a 1955 "waver" from Gatt, in effect violate Gatt rules. Lyng attacks EC, page 30

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PAN AM

Canada close to \$11bn French deals

BY DAVID OWEN IN TORONTO

CANADA appears poised to strike three big deals with French-based companies involving passenger aircraft and nuclear-powered submarines.

Together, the transactions will be worth close to \$11bn (£5bn).

The biggest share of this total will be a contract to supply Canada with a design for 10 or 12 nuclear-propelled submarines, costing about \$8bn. The contest has pitted the French Amelco, which has the design, against the British Vickers Shipbuilding and Engineering (VSEL).

France is widely believed to be close to clinching this order, according to those close to the contest. The Canadian Department of National Defence will soon release its recommendation to the Government. Confirmation of which vessel the Canadians have chosen will follow soon after.

VSEL, which started out as favourite to win the submarine contract, yesterday described reports on an imminent verdict in favour of the French boat as "pure speculation". As far as it knew, the evaluation process was still going on. "It's all still to play for," it said.

Meanwhile, Air Canada, the state-owned airline, is on the verge of placing a US\$1bn order for passenger aircraft to replace its ageing fleet of 34 Boeing 727s. Airbus Industrie's A-320 passenger jet is widely expected to emerge as the successful bidder. The airline is soon to be partly privatised to help fund the purchase.

In addition, Montreal-based Canadair has reached an agreement in principle to supply fuselage components over 15 years to Aerospaciale, the Airbus partner. The parts would be used in the medium-range A-330 aircraft and the four-engine A-340. At about \$1.5bn, the deal will be Canadair's largest sub-contract.

The fact that the Government has a hand in all three transactions is a factor. Canadair is awaiting a reply to its request for government assistance to help defray some of its contract-related costs - raises the prospect that the successful bidders will be announced at the most politically expedient moment after the submarine selection process has been completed, and in rapid succession.

The long-running Franco-Canadian dispute in the fishing rights off St-Pierre-Miquelon has only recently taken a turn for the better after France recalled its ambassador to Canada in April. Canadian sensibilities on this subject remain rather delicate, in particular in heavily fish-dependent Newfoundland. Further progress in the dispute may thus be deemed politically desirable before an official announcement of the contract awards is made.

The Mulroney administration will also be anxious to minimise the impact on relations with Britain and the US of any decision to go with the Amelco submarine.

Mrs Thatcher is scheduled to make a post-summer address to the Canadian Parliament in Ottawa on Wednesday.

W Europe 'likely to lose out' in chemicals growth

BY PETER MARSH

WEST European chemicals companies are likely to be the losers in an investment surge in the international chemicals business that could see \$20bn spent on plant over the next seven years.

That is the assessment of Mr Jack DeWitt, a leading industry analyst, who is chairman of DeWitt & Company, a Houston-based consultancy.

Mr DeWitt said he envisaged steady growth in demand for chemicals products such as bulk plastics, with no slump in the industry before the mid-1990s.

US and Japanese companies would be in the vanguard of the investment surge, said Mr DeWitt, with European concerns likely to be less enthusiastic about new construction plans.

Mr DeWitt said European companies such as Imperial Chemical Industries of Britain and Hoechst, BASF and Bayer of West Germany were being too cautious. As a result, other regions of the world were more likely to gain from the \$20bn investment boom to come.

Mr DeWitt criticised European chemicals companies for focusing more on relatively low-volume speciality products rather than commodity polymers.

The comments by Mr DeWitt, who has a reputation for being bullish about the chemicals industry, are likely to cause controversy in the European business.

Since the recession of the early 1980s, European chemicals concerns have cut production but increased profitability by concentrating on relatively high-value parts of the chemicals business. Such areas have included engineering plastics and high-technology grades of basic polymers.

Although most of the big companies have by no means abandoned manufacturing of commodity products, they have been cautious about announcing plans for big new plants.

UK-Israel trade reversal

BRITAIN'S exports to Israel declined significantly in the first quarter of this year and its imports rose, pushing the overall trade balance into Israel's favour for the first time, writes Andrew Whitley in Jerusalem.

The strength of sterling against the US dollar and the Israeli shekel over the past year appears to be the reason for the reversal.

Preliminary figures show exports to what used to be the UK's second largest market in the Middle East fell by 14 per cent between January and March, from £133.6m to £114.9m.

The value of Israeli goods imported by the UK rose by 9.5 per cent in sterling terms, compared with the first quarter of 1987 to more than £27m.

Zia to enforce Islamic law on financial sector

BY MOHAMMED APTAB IN ISLAMABAD

PAKISTAN is to enforce Islamic law on the domestic financial services industry. Foreign business and credit dealings will remain unaffected.

President Zia ul-Haq announced the law as part of his promise to speed up Islamisation of society and the economy. He made the pledge while dismissing civilian Prime Minister Mohammed Khan Junejo, the 33-member cabinet and 237-member national assembly, whom he charged had not introduced Islamic law rapidly enough.

The new law, called "enforcement of Shari'ah (Islamic law) ordinance" comes into effect immediately. Gen Zia explained its key points on a nationwide radio and television address.

The law empowers superior courts to strike down any non-Islamic law. An individual can also file a suit for a similar action. The courts will have to pass judgment on whether a law is Islamic or not within 90 days in order to speed up the process.

A commission will examine all aspects of the domestic economy, including fiscal laws, banking and insurance, to bring them into conformity with Islamic teachings. It will also suggest alternatives to present western-style business and economic practices.

The new law, however, guarantees that the international financial obligations, loans and credits, incurred or which may be

incurred, and all contracts "shall continue to remain valid, binding and operative" on the government, businesses and individuals in Pakistan.

The Government will also honour its domestic obligations and financial commitments. It will continue to repay the domestic loans, and deposits in Government savings schemes under previously agreed terms.

The new law will curb speculation about state obligations regarding deposits in savings schemes on which "profit" is paid. Profit was previously called interest. Payment and receipt of Western-type banks interest is forbidden under Islam.

The commercial banks already operate on the basis of profit rather than interest under an Islamisation programme which began for the banks seven years ago. All foreign banks operate similarly.

The savings schemes, in which \$1.4bn Pakistan rupees (\$5.2bn) were deposited in the year to June 30, 1987 are a major source of domestic borrowing for the Government.

The Pakistan Government's total domestic borrowing, (including savings schemes), was 243bn Pakistan rupees in the year to June 30, 1987 and has risen since 1983bn Pakistan rupees.

The Government's foreign loans and credits rose from 206.8bn Pakistan rupees to 238.95bn Pakistan rupees.

Ethiopia begins to mix Marx and markets

Victor Mallet, in Addis Ababa, reports on a pace of agricultural reform that has surprised aid donors

"WE DON'T mind making up for acts of God," says a disgruntled Western diplomat in the Ethiopian capital, Addis Ababa, "but acts of Mengistu are something else."

Such is the heart of the dilemma facing the foreign donors - from West and East - who feed millions of hungry Ethiopians each year. Droughts and insect plagues are one thing, but the failed collectivist farming policies so vigorously pursued in the past by President Mengistu Haile Mariam are quite another.

In common with other African countries, Ethiopia, despite periodic droughts, serious soil erosion and war, has great and unrealised agricultural potential.

Even in a year of normal rain it has a shortfall of some 700,000 tonnes of grain which could rise to a daunting 2m tonnes by the time the population grows to a projected 5m by 1990. Now, after more than five years of tough talks with donors, the Marxist-Leninist Ethiopian Government has made its first hesitant steps on the road to agricultural reform.

It has moved since December with quiet caution rather than public enthusiasm. It remains to be seen if the reforms will advance far enough to trigger the release of all of the \$700m in development aid waiting in the pipeline from the European Community, the World Bank and other donors. Official grain prices are being increased, but only by 8 per cent, and grain trade is being



Ethiopian agriculture is 90 per cent run by small farmers

liberalised. Peasant farmers, instead of being forced to hand over a large fixed quota of grain to the state Agricultural Marketing Corporation for a fixed price, should now be able to negotiate the quota downwards and sell their surpluses on the free market.

Restrictions on the licensing of private traders and the movement of grain from one area to another are already being eased, with hundreds of new licences issued and roadblocks removed in the grain surplus areas of central Ethiopia.

As reforms are implemented, the donors hope to fund the

development of peasant agriculture, providing training, fertiliser and other inputs. Even the Soviets, Western diplomats say, have now begged Ethiopia to try a little agricultural perestroika and forget about state farms.

Despite official ideology, 90 per cent of Ethiopian agriculture is still the work of small farmers. Only about 10 per cent, in the form of inefficient state farms and co-operatives, can be described as collective. Yet the collective sector receives a disproportionate 60 per cent of the agriculture budget.

Mr Benno Hafner, the European Community delegate in

Addis Ababa, is optimistic about the reforms although he regards the increase in the price of grain as too small. "This in itself is not enough," he says, "but the most important thing is the opening of the market."

He compares Ethiopia to other African countries which trumpet reforms without putting them into practice. Within months of their announcement, new policies were being implemented in Shoa province around Addis Ababa. "That was for us the biggest astonishment that we have ever experienced in Africa," said Mr Hafner.

Other donors are more sceptical about the Government's intentions. Even if the EC achieves its aim of helping to produce an extra 150,000 tonnes of grain a year in Shoa, such progress might only slow the growth of the food deficit. Agriculture is undoubtedly an appropriate target for foreign aid in Ethiopia. It accounts for more than 40 per cent of gross domestic product, about 85 per cent of exports and employment.

Ethiopian farming methods are also notoriously backward, minimising yields and allowing the erosion of an estimated 1.9bn tonnes of soil from the densely populated highlands each year. Only about 2 per cent of peasants use improved seed and perhaps 7 per cent use fertiliser.

Although released from the feudal bondage they endured in the imperial era before the 1974 revolution, peasants still have no strict security of tenure. Instead they farm on nationalised land and are liable to be resettled or "villagised" (moved from scattered homesteads into central villages) in callously-executed, if well-intentioned Government operations.

It was villagisation and the failures caused by the rigidity of Ethiopian farm policy that drove Sweden - after many years, millions of dollars and initial success in producing surpluses - out of its project in Arsi province south of Addis Ababa. Ethiopia can little afford any more agricultural failures.

EC tackles relief for war-torn Eritrea

EMERGENCY relief operations in war-torn northern Ethiopia are expected to dominate talks between government officials and Mr Lorenzo Natali, European Community Vice-President, AP reports from Addis Ababa.

Mr Natali, who arrived in Addis Ababa yesterday, is also expected to discuss long-term aid - held up until recently because of government agricultural policies, which many argue are more responsible than droughts for the nation's growing food deficit.

Mr Natali is to visit Asmara and Mekelle in the northernmost provinces of Eritrea and Tigre today. The Government is controlling access to the two provinces where rebels have won major victories.

The EC, one of Ethiopia's biggest donors, last month threatened to cut off food shipments because the Government did not grant travel permits for its officials to travel north to monitor relief distribution. The Government subsequently provided the permits.

The rebel advance and government reaction have crippled a massive Western-funded operation to save 3.2m drought victims in Eritrea and Tigre.

HK takes tough line on 78 boat people

BY KEVIN HAMLIN IN HONG KONG

A BATCH of 78 Vietnamese boat people arrived in Hong Kong yesterday to learn they would be detained as illegal immigrants in prison-like conditions unless they can prove they faced persecution in their homeland.

Hong Kong's decade-old policy of automatically offering refugee status to boat people was abandoned at midnight on Wednesday.

Yesterday's Vietnamese arrivals, picked up in two rickety boats, are being detained on the territory's Green Island reception centre, pending their ultimate repatriation to Vietnam unless they qualify as refugees under the United Nations High Commission for Refugees definition - which is anyone who faces persecution on political, racial or religious grounds.

The new arrivals will shortly be interviewed by senior immigration officials, who will determine whether they are economic opportunists looking for a better life or genuine refugees.

As the boat people invariably carry no documentation, the process of establishing the veracity of their stories is fraught with difficulty. But the onus is on the arrival to prove he is a refugee. Questioned by local reporters

yesterday, a newly arrived fisherman from central Vietnam said he was unquestionably a refugee as he had fled the army. He claimed he would be thrown in jail if returned to Vietnam.

Mr Alan Carter, Director of Immigration, acknowledged there would be grey areas, but said immigration staff had the expertise to do the job. The UNHCR can observe the procedure, and the boat people have a right of appeal to the territory's Governor.

Asked if some boat people would be given the benefit of the doubt, Mr Geoffrey Barnes, Secretary for Security, said: "I think the Hong Kong public would say that the benefit of the doubt means somebody is an illegal immigrant unless he can prove that he isn't."

Hong Kong's new hard-line policy resulted from a massive influx of boat people this year, and a sharp reduction in those resettled in third countries.

There is no prospect of a repatriation programme to Vietnam until 1990 at the earliest, which means boat people now arriving in the territory face years of detention with no prospect of resettlement in the west, triggering a squall of criticism from human rights groups.

Sri Lankan parties urge probe into poll 'abuses'

BY MERVYN DE SILVA IN COLOMBO

LEADERS of seven Sri Lankan opposition parties have demanded an international commission to monitor future elections and urged the immediate appointment of a committee of inquiry, acceptable to the opposition, to report on "abuses and malpractices" at the recently concluded provincial council polls.

The signatories include Mr Anura Bandaranaike, the opposition leader, who has signed the appeal on behalf of former Prime Minister Mrs Bandaranaike, president of the SLFP, the main rival to the ruling UNP.

The Tamil congress, the newly formed Sri Lanka Moslem Congress (SLMC) - which won several seats in Moslem-dominated districts - and the Liberal Party, which is affiliated to the Liberal

international, have also joined forces to accuse UNP candidates and their supporters of "mass intimidation and thuggery."

The appeal follows an unprecedented press statement by the elections commissioner that there were attempts not only to disrupt the polls, a clear reference to the terror campaign of the extremist JVP, but also to rig the elections. The UNP won all seven elections, although it suffered a setback in the JVP-dominated south where the turnout was 27 per cent, an all-time low.

President Jayawardena responded to an earlier protest by two other opposition parties and ordered a police inquiry into the allegations. The UNP party executive will decide next week whether Mr Jayawardena should seek a third term.

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That means, with no shareholders to pay, there's no-one to take a profit. So after caring for our members' needs today, we can reinvest any surplus to help care for their needs in the future.

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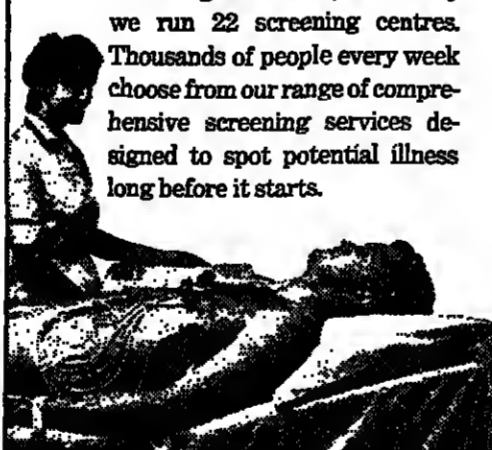
Next year we're opening two more sophisticated BUPA hospitals - in Leeds and Leicester.

Since 1957 we've been at the forefront of the development of modern independent hospitals. Hospitals where doctors and nurses can work to the best of their ability, with the perfect environment for patients to recover.



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We firmly believe that prevention is better than cure. That's why BUPA pioneered health screening in Britain, and today we run 22 screening centres. Thousands of people every week choose from our range of comprehensive screening services designed to spot potential illness long before it starts.



You can protect people on holiday or working abroad

Our BUPAtravel and international schemes have for many years been giving people abroad the peace of mind of medical cover should they need treatment.

You can work hand in hand with the NHS

It's in everyone's interest when BUPA and the NHS work together. For example, we have provided a £1 million lithotripter (which removes kidney stones without surgery) for St Thomas'

You can offer nursing care in the home and at work

Our national network of nursing agencies can meet all your nursing needs, with Home-Care Services for the elderly, new mothers and babies, convalescents, and the seriously ill, as well



You can bring health screening to the community

Our fleet of mobile screening units travel the country bringing BUPA's services right to where they're needed most. They carry out breast screening and chest



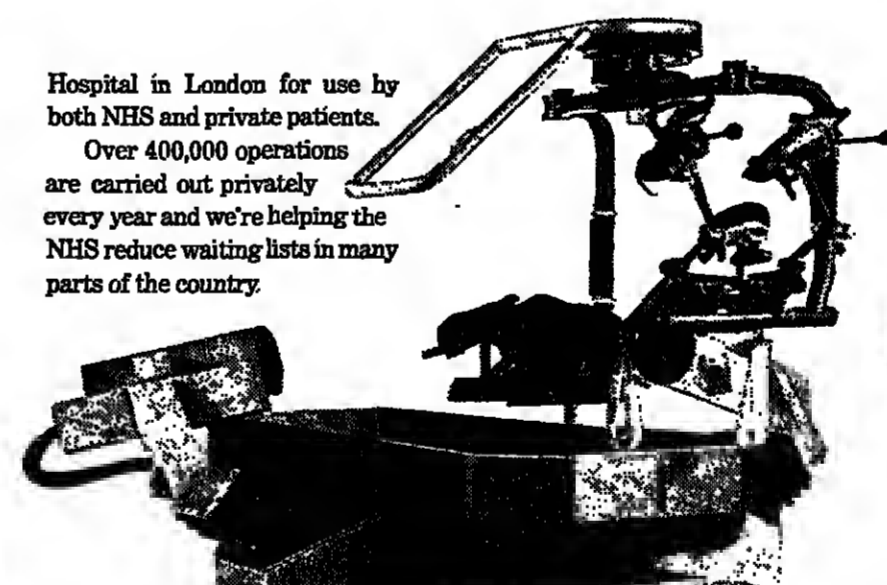
You can give peace of mind to over three million people

Today, BUPA protects well over three million people. Individuals looking after their families, the self-employed safeguarding their livelihood or companies wanting the best for their employees, all benefit from BUPA membership.

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UK NEWS

UK rejects draft European TV advertising rules

BY RAYMOND SNOODY

THE GOVERNMENT will not ratify a Council of Europe convention on broadcasting across national frontiers unless proposed rules limiting the interruption of programmes by commercials are changed.

The tough British line has emerged after agreement had been reached on the text of a draft convention by a steering committee of civil servants and governments from the 21 countries of the Council of Europe.

The text contains provisions specifying that:

- Cinema films shown on television should be interrupted by advertisements only once
- Other programmes on film such as drama and serials should be interrupted by advertising only if they are longer than 45 minutes, with an additional advertising break for every further complete 45 minutes
- News programmes of less than 30 minutes should not be interrupted by advertising.

Although the proposed convention is primarily intended to create a framework for satellite television across Europe, it will also apply to trans-frontier broadcasts by existing ground-based stations.

The British Government is concerned about the effect such provisions would have on satellite television channels, many of which originate from London. But such limitations on advertising could also cause enormous financial damage to the commercial television network. Because the programmes of virtually all the commercial companies can be received in at least part of another European country, they qualify as trans-frontier broadcasts potentially subject to the convention regulations.

The UK Government could enter a "reservation" to the advertising clause which would mean that it could ratify the convention without implementing those particular provisions.

This could mean bilateral negotiations between Britain and other Council of Europe member states, something that would negate the main purpose of a convention - free access for trans-frontier broadcasts across Europe.

The final text of the proposed convention is still subject to negotiation in advance of a conference of ministers scheduled for Stockholm.

Government oil royalties to be paid in cash

By Maurice Samuelsen

THE GOVERNMENT is to stop accepting oil deliveries as payment for royalties on North Sea production, Mr Peter Morrison, Energy Minister, said yesterday.

The decision scraps one of the last vestiges of state involvement in North Sea oil markets which had been established by the Labour Government at a time of rapid build-up in North Sea construction and of international energy shortages.

The change, due to come into force next year, will coincide with the ending of government participation agreements empowering it to intervene in oil production in sudden energy shortages.

Since 1979, some three-quarters of North Sea royalties, currently worth about £550m a year, have been paid in oil, which the Government then had to dispose of on the oil market.

From next year all royalties (due on fields on stream since before 1982) will be collected in cash, Mr Morrison said yesterday.

The Government still has other emergency powers, including those in the 1978 Energy Act, to take rapid control of oil production in case of sudden serious shortages.

Jobless total falls for 22nd successive month

BY RALPH ATKINS

The number of people out of work in Britain fell in May for the 22nd consecutive month. However, average earnings are growing at the fastest rate for more than two years, according to official figures published yesterday.

The seasonally adjusted unemployment total, excluding school leavers, fell by 37,600 last month to 2,410m, the lowest level since September 1981.

Mr Norman Fowler, Employment Secretary, said the sustained fall was "the longest continuous decline since the war."

Recorded unemployment as a proportion of the working population stood at 8.7 per cent last month against 8.8 per cent in April.

Falling unemployment has been accompanied by rising average earnings growth. The underlying rate of increase for the whole economy in April was 8.4 per cent a year. In March, the figure was 8.4 per cent.

The acceleration is likely to add to the fears of some independent economists that inflationary pressures are increasing. However, the rise includes bonus payments which could be due to increased productivity.

The unemployment figures highlight the current buoyancy of the British economy, although the pace of decline in unemployment has slowed considerably since December. In the six months to May, the average monthly fall in unemployment was 39,200 compared with 50,000 per month in the six months to November.

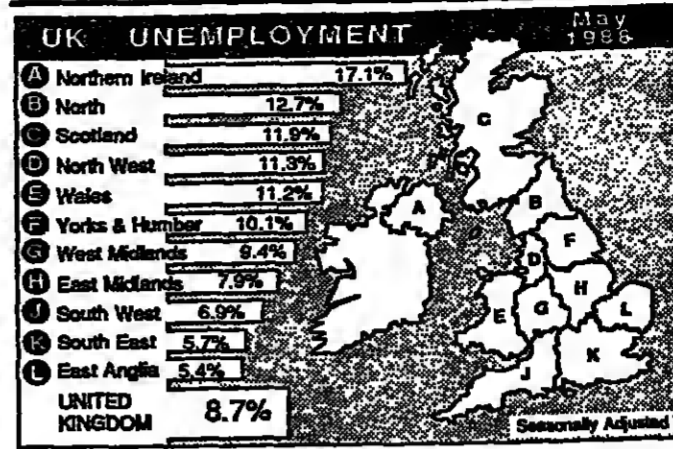
Mr Fowler said long-term unemployment was falling faster than unemployment generally. There had also been "a particularly marked fall" in long-term unemployment among young people aged under 25.

The unadjusted figure for the number of people registered as claiming benefits at benefit offices, including school leavers, fell by 109,115 in May to 2,427m. That was the lowest level since June 1981 but the comparison ignores changes in the method of calculating the total.

The number of job vacancies, which gives a rough guide to prospects for future changes in unemployment, showed a small rise in May. Vacancies advertised through the Government's Job Centres increased by 1,800 to 255,000 - 11 per cent higher than a year before. However, in the six months to May vacancies decreased by an average of 2,100 a month.

The latest international comparisons show that in March the UK's unemployment rate was higher than in the US, West Germany and Japan but lower than in France and Italy.

● New figures from the Department of Employment show that there were just 785 stoppages due to strikes in the year to April, the lowest for 52 years. In April itself there were only 28 stoppages, the lowest for a month since September 1984, the Department of Employment said.



The figures showed large variations between the regions. In Northern Ireland, 17.1 per cent of the working population was out of work in May, unchanged from the previous month, compared with a UK average of 8.7 per cent. In East Angles, where the unemployment rate was lowest, 5.4 per cent were out of work, compared with 6.5 per cent in April. The unemployment rate in the south-east fell from 5.8 per cent to 5.7 per cent between April and May. In north England, it fell from 12.9 per cent to 12.7 per cent.

Government surplus in May

BY SIMON HOLBERTON

THE GOVERNMENT is well on the way to meeting its target of a £3bn public sector borrowing requirement surplus this year, Treasury figures released yesterday indicated.

With the public spending review under way the figures are likely to encourage ministers to seek greater onlays for their departments in the coming financial year. The figures showed that Government revenues are rising rapidly while expenditure has remained flat.

In May there was a £600m debt

repayment taking the cumulative surplus for the 1988-89 financial year to £1.8bn. This compares with a surplus of £162m in May last year and a cumulative deficit of £1.85bn for the first two months of the last financial year.

In his March Budget, Mr Nigel Lawson, the Chancellor of the Exchequer, forecast that the public finances would achieve a £3bn surplus this year. Many independent economists believe this is too cautious and that the expected growth in tax revenues means that the surplus could be

much higher.

The Treasury said PSBR figures were erratic and not much could be inferred from two months' figures.

In the first two months of this financial year total Government revenues were nearly 16 per cent higher than for the same period a year ago, while supply expenditure was 1 per cent lower than for the same period.

The PSBR has also benefited from a strong growth in privatisation receipts in the early months of the financial year.

UK average pay increases by 8 3/4%

BY PATRICK DANIEL

AVERAGE earnings of UK workers increased by an underlying rate of 8 3/4 per cent in the 12 months to April, the highest rate of increase since December 1985, according to data released yesterday by the Department of Employment.

The April figures, which show a 1/4 percentage point rise from the 8 1/4 per cent increase seen in the previous four months, mean that Britain's pay rises continue to be more than twice those in the US, France and West Germany.

Mr Norman Fowler, Employment Secretary, yesterday described the rise in earnings growth as "unwelcome", due to higher bonus payments - where performance has been rewarded - but, having made allowance for that, the fact is that settlements are too high.

Mr Fowler said pay settlements must be restrained if the improvements in the job market were to continue. He said that excessive earnings growth could only lead to employers taking on fewer staff.

Independent economists said

the main worry was the impact on inflation. Mr Kevin Boakes of Greenwell Montagu said it was now absolutely clear that cost pressures in the UK economy had intensified.

Yesterday's figures follow the announcement earlier this week that UK manufacturers faced an unexpectedly sharp rise in the cost of raw materials and fuel purchased in May. They paid 2 per cent more for inputs, the largest monthly increase since the middle of last year.

Although the higher earnings growth is likely to be matched by gains in productivity - data on April's productivity and unit labour costs will be released today - several economists said further growth in the pay rise figures could be expected.

Mr Boakes said earnings growth could rise to 9 per cent by September because the current figures did not include recent major public sector settlements such as the 15 per cent pay rise for nurses and 6 per cent for the armed forces. They also did not include recent high pay settlements in the financial services sector.

Minister cuts by a third estimates of South housing need

BY HAZEL DUFFY AND JOHN HUNT

MR NICHOLAS RIDLEY, the Environment Secretary, has scaled down by as much as one third the number of additional dwellings it is expected will be needed to cope with demand in London and the south east of England.

The revision was accompanied by a circular to district councils by Mr William Waldegrave, Housing and Planning Minister, urging them to draw up clear and detailed local development plans to end confusion about where building can take place.

The original forecast, made by the Environment Department earlier this year, was that about 150,000 dwellings in the south east should be planned for, over and above the 480,000 envisaged in the period between 1981 and 2001. That extra provision has been cut back to between 100,000 and 120,000.

Mr Ridley denied that he had reduced his earlier forecast because of pressures from a group of backbench Conservative MPs who have been lobbying for containment of housebuilding in the region and protection of the countryside.

Speaking after a meeting yesterday with Lord Sandford, chairman of the South East Regional Planning Conference, Mr Ridley said that three factors had led to the revision of the forecast made earlier this year. They relate to a higher than expected supply of housing and lower demand.

- Between 30,000 and 50,000 units are likely to become avail-

able from empty residences coming on to the market as a result of provisions under the new Housing Bill.

- More land is available and more houses are under construction or are likely to be built by 1990 than had been expected.
- The regeneration of the old industrial towns and cities is expected to attract more business and people from the south east.

Mr Jerry Wiggin MP, chairman of the Same Planning group of backbenchers, said last night that the revision was "a commendable trend. But it still means that over 500,000 houses will be built by the end of the century in the region and I believe that figure is just not politically acceptable."

Serplan, which represents the local authorities in the region, will give an overall view on the revised figures by the end of July. The way in which the housing provision will be distributed across the south east will be decided by the authorities in their structure and district plans.

Mr Waldegrave, in a speech read for him to the Royal Town Planning Institute in Cardiff announcing the issue of his circular, conceded that in some instances under the present system proper planning was not taking place at all. "It is anarchy."

He urged the district councils to "get on and prepare succinct and relevant plans as quickly as possible." Where necessary the area covered by the plans should be extended and should, without fail, define green belt boundaries.

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- In view of the company's strong underlying growth, the Directors are recommending a final dividend of 5.5 pence (net).
- The Annual Report and Accounts 1988 will be distributed to shareholders in mid-July.

The contents of this statement, for which the Directors of British Gas plc are solely responsible, have been approved for the purposes of Section 57 of the Financial Services Act 1986 by Price Waterhouse as authorized persons.

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Clowes remanded on £300,000 bail

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MR PETER CLOWES, the 46-year-old millionaire financier at the centre of investigations into the collapse of the Barlow Clowes fund management companies, was remanded on £300,000 bail until August 4 by Guildhall magistrates in the City of London yesterday.

He is charged with perverting the course of justice. The charge alleges that he "caused or procured the destruction of miscellaneous documents and the creation of certain false documents."

One of the bail conditions imposed by the three magistrates requires Mr Clowes not to contact past or present employees of Barlow Clowes Gilt Managers or Barlow Clowes International "except at the behest of and in the presence of representatives of Messrs Cork Gully or Messrs D.J. Freeman & Co."

Cork Gully, the accountancy firm, is the High Court-appointed special manager of Barlow Clowes Gilt Managers. D.J. Freeman & Co is solicitor for the special manager.

Other conditions are that Mr Clowes must not contact past or present clients of BCGM and BCI, and not, except with the permission of the Serious Fraud Office, contact past or present intermediaries.

Mr Clowes was also required to surrender his passport.

Bail sureties were provided by Mr Martin Stott, of Carling, Maclefield Road, Prestbury, Cheshire, for £250,000, and by Mr Clowes's 42-year-old wife, Pamela, for £50,000.

It is unusual for a wife to be allowed to stand surety for her husband but the court accepted Mrs Clowes as a temporary surety on condition that an independent surety for £50,000 be found to replace her within 14 days.



Peter Clowes leaving court with his wife Pamela

Mrs Helen Garlick, prosecuting for the Serious Fraud Office, said that it was thought to be in everybody's interest that at the moment Mr Clowes should be at liberty, subject to stringent bail conditions, to assist the special manager.

Mrs Garlick said that Mrs Clowes was being offered as a surety because Mr Clowes was in

temporary difficulty over providing a suitable independent second surety.

It was, Mrs Garlick said, only in very unusual circumstances that the court would accept a defendant's wife as surety "because of the lack of the usual independence."

It had been agreed that Mrs Clowes would be acceptable to

the prosecution for 14 days, within which time Mr Clowes' solicitors were confident that they could produce a proper, independent surety for £50,000, Mrs Garlick said.

Agreeing to stand surety for her husband, Mrs Clowes said she owned a property, Swingate Cottage, Whiteley Green, Maclefield, which was valued at over £200,000.

Mr Clowes, who had sat silent in the dock throughout the 28-minute hearing, left the court room hand-in-hand with his wife.

After a short discussion with his lawyers inside the court building, Mr Clowes and his wife, accompanied by a family friend, Mrs Diana Stone, pushed their way, refusing to comment, through a crowd of reporters, photographers and television cameras and drove off in a taxi.

Mr Clowes had spent the previous night in a cell at Bishopsgate police station in the City after being arrested near his Cheshire home by City fraud squad detectives on Wednesday morning.

After yesterday's court hearing Mr Charles Buckley, Mr Clowes' solicitor, told reporters that Mr Clowes was "very calm, confident and relaxed."

"He will be expending his energies in the recovery of depositors' money in conjunction with Cork Gully, and his commercial lawyer, Mr Roger Lane-Smith, will be giving him professional assistance," Mr Buckley said that he had no doubt that Mr Clowes was "a very honest and consummate businessman. I don't think he has committed any criminal acts whatsoever."

Mr Buckley was critical of what he described as "summary execution" by the Securities and Investment Board in closing down "a very good business."

Commodity firm wound up by City watchdog

By Clive Wolman

THE Securities and Investments Board, the chief investor protection agency, yesterday renewed its drive against the more dubious investment firms by obtaining the appointment of an official receiver as a provisional liquidator of a small London commodities firm.

The firm, Stox, which has client funds under management of between £500,000 and £600,000, received interim authorisation under the Financial Services Act in April after applying for membership to the Association of Futures Brokers and Dealers, one of the self-regulating organisations under the Act.

It was set up by former employees of DFE, another commodities dealing firm which itself was formed as a spin-off from LHW Futures.

LHW, the largest commodities management firm dealing with the general public, has been banned from the London and International Financial Futures Exchange after criticisms of its hard selling methods.

It has interim authorisation under the Financial Services Act. The SIB applied to court to wind up Stox on the basis of section 72 of the Act.

Gas-electricity inquiries

By Max Wilkinson

BRITISH GAS has received about 100 enquiries from private companies which want to generate electricity from gas, enough to meet much of the additional demand for electric power to the end of the century.

Mr Ron Probert, the company's marketing director said yesterday that if all the schemes were implemented they would add some 6bn therms per year to UK gas demand, or about 25 per cent of total consumption.

Sir Denis Rooka, chairman of the company, said that he did not believe all the schemes would result in actual plant being built.

Nevertheless, the huge interest in private generation from gas has surprised senior executives of the corporation and added a new impetus to its talks with Norway and the USSR about imported supplies towards the end of the next decade.

Kinnock under fire again for 'authoritarian' leadership style

BY PHILIP BASSETT AND MICHAEL CASSELL

CRITICISM of Mr Neil Kinnock, the Labour Party leader, gathered force yesterday as a range of organisations within the party - including some of his erstwhile strongest supporters - attacked his leadership style.

Some of the strongest comments came from the trade unions, which play a key role in the party's financing and decision making. Mr Ron Todd, general secretary of the Transport and General Workers' Union, the largest union affiliated to the Labour Party, warned Mr Kinnock in the clearest possible terms to leave policy-making to the unions, constituency parties and MPs in context of the annual Labour Party conference.

Mr Todd's remarks came after last week's refusal by the TGWU national executive to nominate Mr Kinnock as party leader, largely because of his recent statements on defence.

Speaking to the annual conference of the Irish TGWU, Mr Todd stressed his support for Mr Kinnock, but said that no-one should confuse loyalty with acquiescence.

There was no point, he said, in the Labour Party seeking power if it abandoned "all of those key policies which form the bedrock of the Labour Party" in getting there.

Mr Sam McCluskie, general secretary of the National Union

of Seamen, also made a veiled attack on Mr Kinnock's style of leadership yesterday in a speech to the biennial conference of Ucat, the construction workers' union, in Blackpool.

Mr McCluskie - who as Labour's treasurer, is part of the party's leadership team and is a close supporter of Mr Kinnock - said he was impressed by the debate at the conference and added: "I only wish people in other parts of the movement would also debate the issues at ground level before they make unilateral decisions."

Mr McCluskie is understood also to have been irritated by Mr Kinnock's remarks on defence.

Mr Kinnock's problems were compounded by criticism of the current internal policy review and of his style of leadership from the traditionally supportive Labour Co-ordinating Committee, the party's soft-left pressure group.

The committee, which is backing Mr Kinnock in the present leadership contest, issued a statement yesterday opposing the "increasing authoritarianism and centralisation of party decision making in the leader's office."

The policy review was, it alleged, being carried out "in an undemocratic and elitist way" which excluded party members from influencing the outcome.

The committee also accused Mr Roy Hattersley, Labour's deputy leader, of treating the post as a "sinecure" and criticised his record on grounds "both of ideology and competence". It is supporting Mr John Prescott, Labour's energy spokesman, for the deputy leadership.

Labour backbenchers were yesterday dismayed by Mr Kinnock's performance in the House of Commons, when he used Prime Minister's question time to allege hypocrisy on the part of Mr Nicholas Ridley, the Environment Secretary, towards housing development in rural areas.

Both Mr Kinnock's choice of subject and despatch box performance were criticised by Labour MPs after Mrs Thatcher dismissed his questions, claiming that the opposition leader never failed to surprise her with the "smallness" of some of his questions.

Mr Kinnock will today launch a robust defence of his leadership and of the policy review at a conference in London. Writing in the latest edition of the Tribune newspaper, he yesterday launched his most outspoken attack yet on his left-wing critics.

He rejected accusations of authoritarian leadership and said the leadership election was between those people prepared to recognise the need for change and those who were afraid of it.

Ulster internment call resisted

BY MICHAEL CASSELL IN LONDON AND KIERAN COOKE IN BELFAST

THE Government intends to resist mounting calls for the return of internment without trial in Northern Ireland, the Prime Minister made clear yesterday.

The demands were made at Westminster following the IRA killing of six British soldiers in Lishurn, about 13km south of Belfast, on Wednesday night. The death toll was the highest in any single attack against the army since a discotheque bombing in the province in 1982 in which 17 soldiers were killed.

Responding to calls from some MPs for the selective detention of suspected terrorists, Mrs Thatcher said the possibility had not been ruled out but that the Government would be very reluctant to take such "a very serious step."

Her view was echoed by Mr

Tom King, the Northern Ireland Secretary, who said the casualties could have been much greater if the bomb attached to the soldiers' van had gone off in the car park where it had been parked earlier.

Mr Kevin McNamara, Labour's Northern Ireland spokesman, condemned what he described as another "act of callous inhumanity." However, he rejected a return to internment, which he claimed would heighten tension, increase social instability and make a political solution even more remote.

Internment was introduced in the province in August 1971 and was phased out in 1975, although Mr King reminded MPs yesterday that he still retained powers of detention.

Attention following the latest IRA attack was yesterday focused

on what appears to have been a major breach in military security. Experts are trying to determine how the IRA managed to identify the unmarked van the soldiers were travelling in and how 7lb (about 3kg) of explosive were planted on the underside of the vehicle in the midst of a crowded area.

The bombing will be among the main topics to be discussed at a meeting in Belfast today of the Anglo-Irish Conference, the body set up under the terms of the Anglo-Irish agreement.

The Irish Government has already expressed its horror at the bombing. Mr King will be seeking assurances that the republic's Government, which has already condemned the Lishurn killings, intends to take every possible action against the IRA.

Liquidators scan associate's books

BY RICHARD WATERS

JOINT Barlow Clowes liquidator Ernst & Whinney spent yesterday in Leeds combing the books of companies controlled by Mr Guy Cramer, a business associate of Mr Peter Clowes, to establish whether he received £13m of investors' money, as alleged earlier this week.

At a meeting with the liquidators on Wednesday, Mr Cramer denied any knowledge of all but "a very very small sum" of the money, said Mr Nigel

Hamilton, who is heading the Ernst team. The £13m is the largest single amount alleged by the liquidators to have been paid out of Barlow Clowes investors' money. Altogether, £25m is alleged to have been paid from the funds.

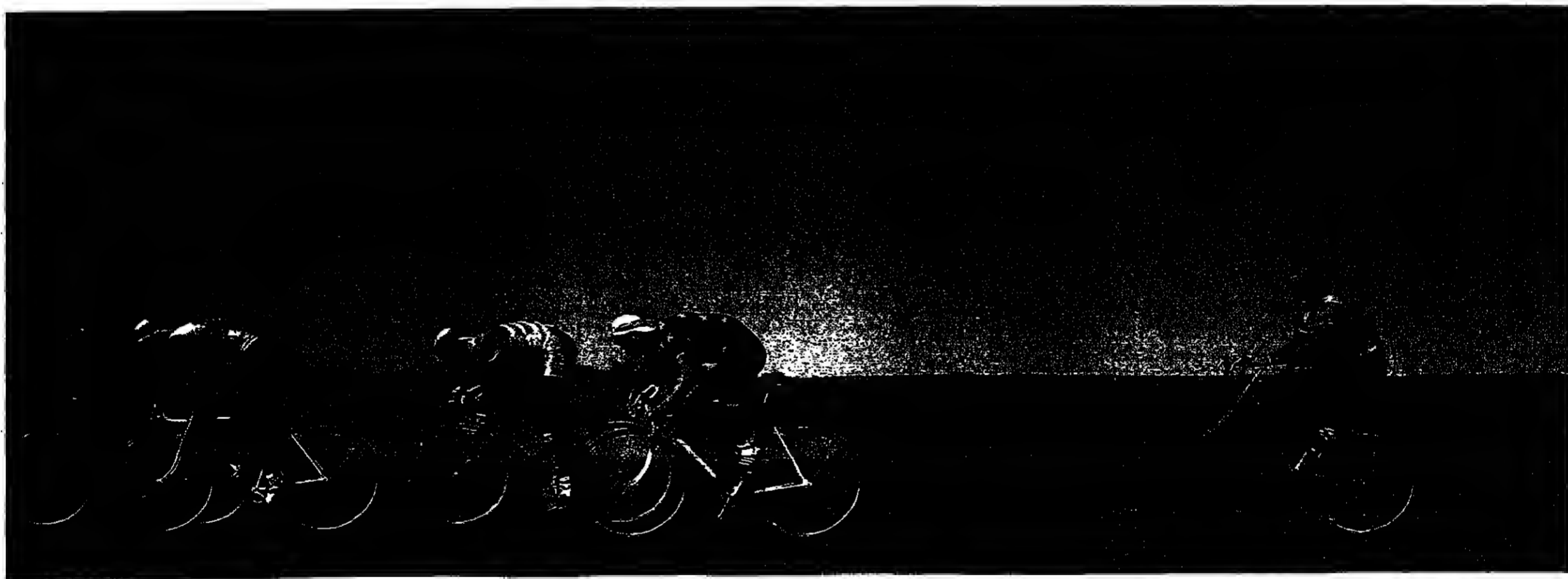
The investigation is focusing on the extent to which investors' money was used to finance the £25m takeover last year of Buckley's Brewery mounted by Brodian, a company under the control of Mr

Cramer and Mr Peter Clowes. A "substantial amount" of investors' money was lent to Brodian, said Mr Hamilton. He said that it was possible that money reported to have been advanced to Mr Cramer was the same as that lent to Brodian. "There could be some double-counting," he said.

Ernst & Whinney also interviewed Surrey resident Dr Peter Naylor, a former business associate of Mr Clowes about an amount of around

£1m he is alleged to have received. "He is not disputing that he had substantial funds," said Mr Hamilton. But Mr Naylor claimed that the money represented remuneration for work he had carried out for Mr Clowes over a number of years, as well as gifts and loans.

Ernst & Whinney have also been in contact with Mr David Mitchell, the Geneva-based accountant alleged to have received £2m of investors' money.

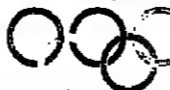


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UK NEWS

Peter Marsh examines the accident figures in an industry now considered to be safe
Ghost of Flixborough haunts chemical plants

HOW SAFE is the chemicals industry? The question arises as a result of claims by the GMB general workers' union that safety standards are suffering in a scramble by companies to increase sales and profits.

The debate on hazards follows the deaths of two employees of Imperial Chemical Industries, Britain's biggest chemical company, in an explosion on Tuesday at a dynamite factory in North Wales.

Many aspects of chemicals production - one of Britain's biggest and financially healthiest manufacturing sectors with an annual turnover of about £20bn (£11.2bn) - are inherently dangerous.

The chemical industry, which recovered well from the slump at the beginning of the 1980s and is reporting good growth prospects, involves the reaction and transport of large quantities of materials many of which are inflammable, explosive or toxic.

Yet the industry, with about 330,000 employees, does not have a poor reputation for safety. The last big accident in Britain was the explosion in 1974 at the Flixborough chemical plant on Humberside, which killed 28 people.

During the five years to 1987, an average of only five people a year have died due to work-related accidents in the industry, according to figures from the Government's Health and Safety Executive (HSE). That compares with the average for the whole of manufacturing industry over this period of 117 deaths a year.

Dr Philip Nolan, a chemical engineer at South Bank Polytechnic in London, who is a consultant to the chemicals industry, says that since Flixborough the business "has got its act



Fire at the Flixborough chemical plant in 1974 which killed 28

together" on safety. He says the sector's safety record is "superb."

As for ICI, whose UK output accounts for about a quarter of the total production of the British chemicals industry, the company notes a gradual turn for the better in its safety statistics. In the 1970s, fatalities at its British plants averaged about five a year, a figure reduced to about two a year in the 1980s.

Serious accidents causing people to take time off work at ICI's British plants have similarly declined. ICI now experiences one such accident for every 200,000

man-hours of work, a frequency which has decreased by 30 per cent since 1980.

However, there is some disagreement about trends in the industry as a whole. Inevitably, the arguments centre on the reliability and interpretation of statistics.

Mr Steve Rabson, health and safety officer at the GMB union, points to HSE figures detailing the number of deaths and serious injuries per 100,000 employees in the industry. Between 1982 and 1985, this number rose from 88 to

115 - an increase of almost a third.

The figure for 1986-87 - the last available year - stood at 161. But the rise here is at least partly explained by more rigorous reporting rules.

HSE officials do not want to be drawn on the explanation for the apparent rise in incidents other than saying they mirror what seems to be a worsening general safety record in manufacturing.

Mr Rabson at the GMB is less reticent. He says chemicals companies are relaxing safety measures in their drive to expand.

"The industry used to be fairly safe, but the position has been deteriorating."

Mr Trevor Kletz, a former ICI safety officer who now works as a consultant, says the bigger companies in the industry generally have a good record on hazards at work. He acknowledges that there may be a problem among smaller "cowboy" operators.

Another difficulty may be the reliability of statistics. Figures for serious injuries are, says Mr Kletz, a reflection to some degree of employees' willingness to take time off work as a result of an accident that may in fact have been minor.

The Chemical Industries Association, the trade body for the UK industry, keeps its own safety figures derived from a voluntary survey among its 200 or so member companies. In 1976, the survey showed 1.5 serious accidents per 100,000 hours of work. This figure declined to 0.8 in 1984, since when it has been virtually static.

Mr Peter Merriman, safety executive at the association, admits that the flattening of the trend is giving him some concern. He believes that some companies may be becoming complacent about safety.

"Safety is all about ramming home to people the buzzwords, about attitudes, awareness and perceptions to make them less likely to have accidents. Broad exhortations to companies on this issue are all very well but their impact lasts for only 30 seconds."

Mr Merriman's overall conclusion is that safety standards have definitely improved. "But we could still be doing better."

Colleges 'delayed by councils'

BY DAVID THOMAS, EDUCATION CORRESPONDENT

MR KENNETH BAKER, Education Secretary, yesterday blamed delays to his programme of city technology colleges on the refusal of Labour Party-controlled local authorities to make sites available.

Mr Baker, speaking at the announcement of the first CTC in north eastern England near Middlesbrough, plans to announce a group of further colleges shortly, including one scheduled for next week in the south east at Dartford, Kent.

CTCs, designed for 11- to 18-year-olds with an aptitude for sci-

ence and technology, will be independent of local authorities. They are intended to meet skill shortages in technical subjects, to raise educational standards in urban areas, and to encourage business involvement in education.

The Middlesbrough college is the third in which both a site and leading sponsor prepared to donate £1m to the project have been announced. Three other lead sponsors have been named, bringing to six the number of CTCs firmly in the pipeline.

The Middlesbrough CTC,

which could open in September 1989, has so far attracted almost £1.7m from commercial sponsors. It will open on the site of a former Catholic School, bought with the help of Cameron Hall Developments, a property group.

BAT Industries is the lead sponsor, putting in £1m. The British Steel Corporation is contributing more than £100,000 through donations of steel to refurbish the building, and the Davy Corporation is putting in a similar amount by donating engineering and other services.

Government backs mobile telephone research plan

BY TERRY DODSWORTH

THE GOVERNMENT has decided to back a telecommunications research project aimed at maintaining Britain's strong position in the fast-developing field of mobile telephone technology.

The project will bring together several leading electronics companies and academic institutions under the funding scheme provided by the Government's Link initiative.

The state contribution will be £6.5m, from the Department of Trade and Industry and the Sci-

ence and Engineering Research Council. Industrial partners are expected to contribute at least an equivalent amount.

Link was designed to bring together industrial and academic research organisations in pre-competitive projects on basic technology.

The schemes were launched at the beginning of this year. Funds so far earmarked amount to £100m, of which the Government will provide up to half.

This Notice does not constitute an offer of securities of Rural Banking and Finance Corporation of New Zealand but does require action on the part of the holders of the Bonds referred to below.

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of
the holders of the outstanding
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16 1/4% Guaranteed Bonds Due 1990
of
Rural Banking and Finance Corporation
of New Zealand

Notice is hereby given that an adjourned Meeting of the holders of the above Bonds (the "Bondholders") covered by the Rural Banking and Finance Corporation of New Zealand (the "Issuer") will be held at The Elizabeth Suite, Barrington House, 59-67 Gresham Street, London EC2V 7EY on 30th June, 1988 at 10.00 a.m. (London time) for the purpose of considering and, if thought fit, passing the Resolution which was the subject of a Notice of Meeting dated 25th May, 1988 published in this newspaper on that date which gave notice of a Meeting to be held on 16th June, 1988. At such Meeting a quorum was not present and it stood adjourned to the time and place mentioned above, as designated by the Chairman of that Meeting.

Voting and Quorum

1. Any voting certificate(s) issued, any voting instruction(s) given and any appointment(s) of a proxy made pursuant thereto for the Meeting of Bondholders convened for 16th June, 1988 will be valid for the adjourned Meeting unless, in the case of voting certificates, surrendered before, or, in the case of voting instructions, revoked or amended not less than 48 hours before, the time for which the adjourned Meeting is convened.

Any holder of a Bond who, for the purpose of obtaining a voting instruction form or voting certificate, deposited his Bond with any Paying Agent or (to the satisfaction of such Paying Agent) gave instructions to Centrale de Livraison de Valeurs Mobilières S.A. or Morgan Guaranty Trust Company of New York, Brussels office as operator of the Euro-clear System or another bank or depository approved by the Trustee for his Bond to be held to the order of such Paying Agent, later than 48 hours before the time appointed for holding the first Meeting and who consequently was not issued with a voting instruction form or voting certificate will, provided such Bond has not been released, be issued with a voting instruction form or, as the case may be, voting certificate for use in connection with the adjourned Meeting.

2. The quorum required at the adjourned Meeting will be two or more persons present in person holding Bonds or voting certificates or being proxies and holding or representing whatever the principal amount of the Bonds so held or represented.

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Rural Banking and Finance Corporation of New Zealand.
17th June, 1988

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Voting and Quorum

1. Any voting certificate(s) issued, any voting instruction(s) given and any appointment(s) of a proxy made pursuant thereto and any appointment(s) of a proxy for any holder(s) of Registered Bonds for the Meeting of Bondholders convened for 16th June, 1988 will be valid for the adjourned Meeting unless, in the case of voting certificates, surrendered before, or, in the case of voting instructions, or proxies in relation to Registered Bonds, revoked or amended not less than 48 hours before, the time for which the adjourned Meeting is convened.

Any holder of a Bearer Bond who, for the purpose of obtaining a voting instruction form or voting certificate, deposited his Bearer Bond with any Paying Agent or (to the satisfaction of such Paying Agent) gave instructions to Centrale de Livraison de Valeurs Mobilières S.A. or Morgan Guaranty Trust Company of New York, Brussels office as operator of the Euro-clear System or another bank or depository approved by the Trustee for his Bearer Bond to be held to the order of such Paying Agent, later than 48 hours before the time appointed for holding the first Meeting and who consequently was not issued with a voting instruction form or voting certificate will, provided such Bearer Bond has not been released, be issued with a voting instruction form or, as the case may be, voting certificate for use in connection with the adjourned Meeting.

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2. The quorum required at the adjourned Meeting will be two or more persons present in person holding Bonds or voting certificates or being proxies and holding or representing whatever the principal amount of the Bonds so held or represented.

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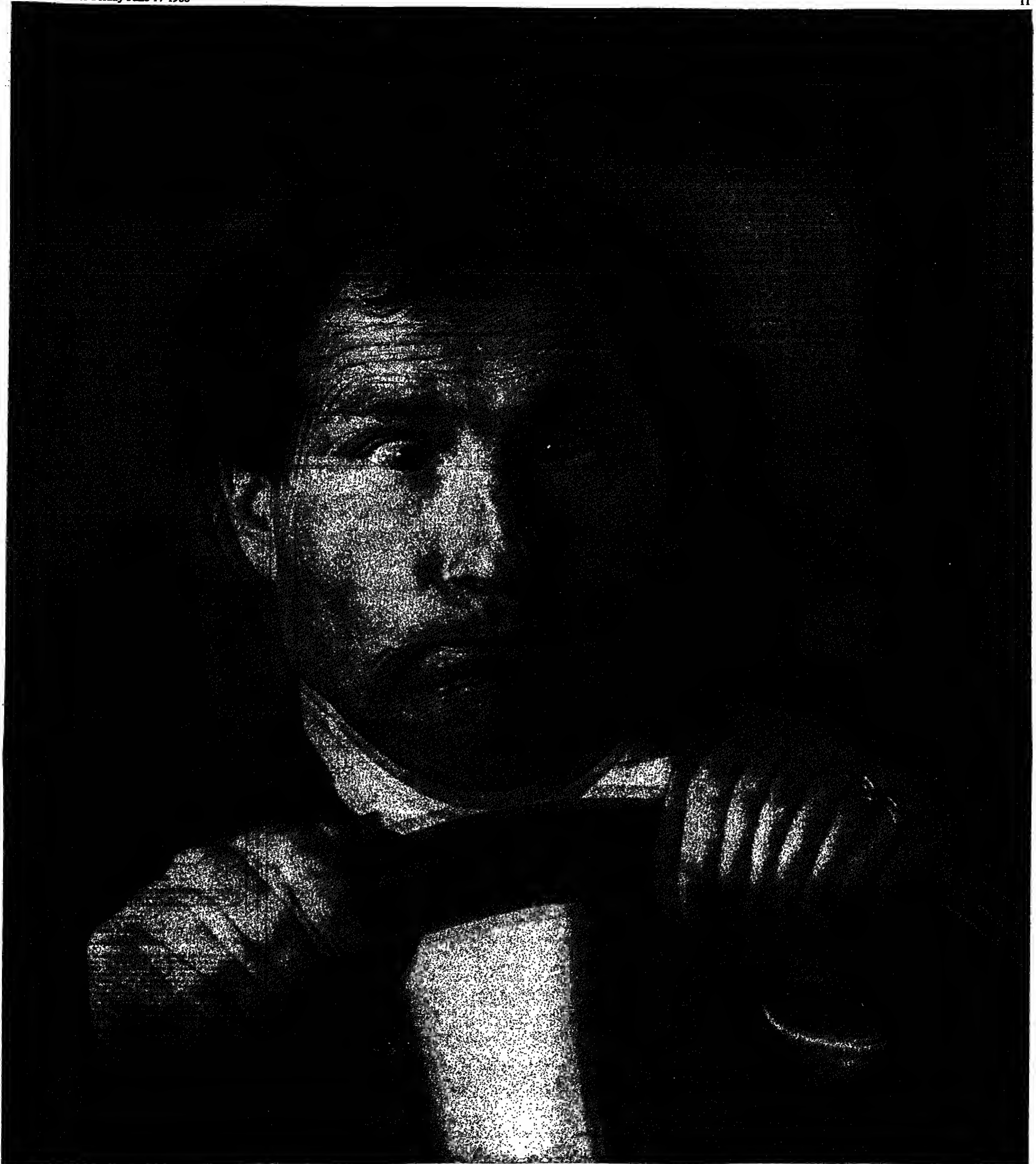
The trust consistently ranks amongst the top twenty performing investment trusts over 1, 2, 3, 5 and 7 years in terms of Net Asset Value total return; according to the statistics compiled by the Association of Investment Trust Companies for periods to 31st March 1988.

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FT LAW REPORTS

APPOINTMENTS

Non-existent Irish income is not taxable

JONES (HM INSPECTOR OF TAXES) v O'BRIEN

Chancery Division (Mr Justice Hoffmann) June 14 1988

In the tax year 1985-6 he received £1,910 income from those shares. He entered it in his tax return for 1986-7, and was assessed in accordance with the return on June 3 1988. The tax was paid.

Four months later he received another assessment, dated October 7 1986, for the year 1986-7, in an estimated sum of £2,000. By the time of the second assessment the income which had actually arisen was £350.

The income likely to arise in the rest of the year could only be the subject of inductive prediction based on the behaviour pattern of the Irish companies in previous years.

Mr O'Brien successfully appealed to the Special Commissioners. The Crown now appeals.

The assessment was made under Case V of Schedule D. In the normal case tax chargeable under Case V of Schedule D was computed on the full amount of the income arising in the year preceding the year of assessment.

But in the case of property situated and profits or gains arising in the Republic of Ireland, it was computed on the full amount of the income arising in the year of assessment (see Schedule 12, paragraph 2(1) to the Taxes Management Act 1970).

The Crown submitted that the assessment was validly made under section 29(1) of the Act. It said that by October 1986 it would have appeared on the basis of previous years that Mr O'Brien

would be receiving income from his Irish investments during the 1986-7 year of assessment. That income had not been included in a return under Part II of the Act, and it did not matter that Mr O'Brien was not required to include it. Therefore, it was argued, the inspector was entitled to "make an assessment to the best of his judgment" under section 29(1)(b).

The words of section 29(1)(b) were capable of bearing that meaning. But, in the context of the other provisions of the Act it was a strained and unnatural meaning which the legislature did not intend.

If the inspector was satisfied that the return afforded "correct and complete information," section 29(1)(a) said he "shall" make an assessment in accordance with the return.

Thus the primary basis for this assessment was the return.

The words "which have been included" in section 29(1)(b) meant in their context "which should or could have been included but have been for one reason or another omitted." Therefore the inspector could not proceed to a "best of judgment" assessment before he had asked for a return.

If the taxpayer could be assessed before he was required to make a return, some strange consequences would follow.

First, when the return was made the inspector would be

obliged under section 29(1)(a) to make an assessment. There would then be two assessments in respect of the same income and one would have to be discharged. It was difficult to imagine that the legislature intended that to happen as a matter of routine.

Second, the taxpayer would not be entitled subsequently to claim relief under section 33 in respect of "error or mistake." The power to give relief under that section was confined to error or mistake "in a return." Unless he appealed within 30 days the estimated assessment would become binding on him whatever actual income he might receive during the rest of the year.

A more fundamental reason why the assessment was invalid was that it could not be said in October 1986 that Mr O'Brien's dividends from his Irish investments were "profits in respect of which tax is chargeable" within 29(1)(b).

Schedule D charged "annual profits or gains," and tax chargeable under Case V on profits or gains arising in Ireland was computed on the "full amount" of the income arising in the year of assessment.

There was no charge to tax on the income per diem in diem as it arose during the year.

The imposition of liability to tax on the full amount of the income arising in a year necessarily entailed that the year had elapsed.

Until then the profits in respect of which he was liable to tax would not exist and therefore no charge to tax could attach.

The Crown referred to IRC v Gardner Mountain & D'Abrumail Ltd (1947) 29 TC 69, in which the House of Lords held that profits were to be treated as arising in the year in which they were earned, notwithstanding that the amount might be incapable of ascertainment at a future date.

In that case however, the assessment was made after expiry of the period to which it related. Notionally the profits for the whole year had arisen, though their ascertainment might present difficulties.

In the present case the profits had not arisen either actually or notionally at the time of assessment. The appeal was dismissed.

For the Crown: Alan Moses (Inland Revenue Solicitor). For Mr O'Brien: Kevin Prosser (Tweedie & Pridoux).

Rachel Davies Barrister

Managing director for Alpine Soft Drinks



Mr Jon Morgan has been appointed sales and marketing director of SPANIX. He was UK sales director at Thorn EMI Computer Software.

ALPINE SOFT DRINKS (UK), a subsidiary of Alpine Group, has promoted Mr John Middleton, former managing director of Exclusive Cleaning City, to managing director. Mr Graham Clark, formerly director responsible for design and implementation of control information systems applicable to production and warehousing functions at Alpha-Numeric, is made operations director.

Mr Hugh O'Neill has been appointed as chairman of the NORTHERN IRELAND TOURIST BOARD in succession to Sir John Swinson, who has been chairman of the board since 1980. Mr O'Neill, chairman of Northern Ireland Airports, will lead the board for three years.

Mr Michael P.D. Davy has been appointed sales director of ADS OFFICE SYSTEMS.

McKECHNIE has appointed Dr T.N.R. Marples as director and general manager of Stelco Hardy. He has previously held management posts at the company's copper sulphate plants in Wines and Bordeaux.

Mr Stuart Fillingham has become managing director of SLEEPFEZZEE, a subsidiary of the Christie-Tyler Group. He was managing director of Stott & Smith.

At POWER CORPORATION Mr Antony Leonard and Miss Mich-

ele Kavanagh have been made directors. Mr Leonard joined Power as group financial controller in 1980 and will continue to operate in that area. Miss Kavanagh also joined in 1980 and holds responsibility for retailing concepts and day-to-day management of the group's shopping centres.

Mr Garry Lynch has been made a director of BRITISH CAR AUCTIONS. He is now responsible for national sales, manufacturer's sales and dealer development.

GRAU GIRLING has appointed an executive board of directors. Mr Mike Stevens, managing director, Mr David White, sales and marketing, Mr Bill Broome, technical, and Mr Tony Boucher, financial.

NCV HOLDINGS has appointed Mr David Hall to the board. He is managing director of a subsidiary company, Accident and General.

NATIONAL FREIGHT CONSORTIUM has appointed Mr E.A. Wall as chairman of NFC International Holdings. He is president of National Freight Company International Holdings (USA).

Mr Alan Toms has become deputy managing director at INITIAL. He has also been appointed executive deputy chairman of the newly-formed Initial (UK). Mr Lee Cummins, managing director of the commercial services division, has joined the board and Mr David Evans, founder of Brengreen Holdings, has been made a non-executive director.

NCR has appointed Mr Patrick Mill its sales and marketing director. He was vice president of the financial systems marketing division of NCR Europe.

Mr Keith Buckle has been appointed a director of HAMBROS BANK and will be in charge of the pension fund department of Hambros Investment Management. He will take over from Mr John Cumming, who is due to retire in March 1988.

Mr Philip H. Swatman has been appointed a non-executive director of IFL INFORMATION TECHNOLOGY. He is a director of N.M. Rothschild and Sons.

Mr Paul Bates has been appointed a director of THE COOPER GROUP, a wholly-owned subsidiary of Tozer Kennaley Millbourn. He is director of Cooper Bishopsgate.

Mr Andrew Coles has been appointed finance director of BROADWELL LAND. He was group finance director of Central and City Properties.

Mr Nigel Stally has been appointed managing director of TUDOR TECHNOLOGY, a company he co-founded in 1987.

Mr David Betham-Rogers has been appointed publisher of THE OILMAN following its purchase by Pennwell Publishing Co.

Mr Harold Conch, senior retail partner at Hillier Parker, is to chair the 1989 INTERNATIONAL COUNCIL OF SHOPPING CENTRES, to be held in Vienna next Spring.

The SCIENCE AND ENGINEERING COUNCIL has appointed Mr John Merchant as director Council policy and administration. He is the principal establishment and finance officer of the Crown prosecution service.

Mr Clive Deacon has been appointed managing director and Mr Nial Davies sales director of LIBRA CITY PRINTERS (INTERNATIONAL), the newly-formed international operating arm of Libra City.

Mr Malcolm Shaffer has joined the board of WALLACE INTERNATIONAL as commercial director following its acquisition by Prospective.

Company Notices

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Corporate strategy

Why parents must be more particular

Sigurd Reinton and Nathaniel Foote argue that many companies need a better match between their corporate skills and business portfolios

THE CURRENT takeover threat to Cadbury Schweppes is a salutary reminder that two years of hectic restructuring are not enough to eliminate a company's vulnerability. Over that period, the British soft drinks and confectionery company has disposed of five businesses outside its core activities, realising over £30m. To build an international presence, it has also spent over £250m on nine soft drinks and chocolate acquisitions in five countries. Yet stock markets are speculating that soft drinks still need to be split from chocolate, and that the chocolate business, at least, may be worth more in other hands.

Less active companies have already fallen into the hands of predators which have dismantled them, swallowing some parts and selling others. The restructuring of Imperial, the former tobacco-kewing group, was largely completed a few months ago when its new owner, Hanson Trust, sold the Ross Young frozen food business to United Biscuits for £285m. And Unilever has recently completed the first stage of restructuring Chesebrough-Pond's, the US cosmetics-chemicals conglomerate, many of whose peripheral businesses it has sold.

Imperial and Chesebrough-Pond's both failed to justify their role as corporate parents, which is why they fell to the hands of alternative owners than combined under their own control. The same may prove true of Cadbury Schweppes.

With even very large businesses now in the sights of a raider or leveraged buyout team, corporate managements are under pressure as never before to earn the right to manage the businesses in their portfolio. To defend themselves against acquisition, managements must establish that they can add more value to their businesses than any other potential parent - that they can make a distinctive contribution beyond just earning the cost of capital.

Traditionally, corporate managements have asked the question: what business should we be in? In the well-developed market for corporate control in the US and UK, that question should be updated to become what parent does each business need? - indeed, does it need a parent at all?

The answer in many cases will prove decidedly uncomfortable, demonstrating the need for a radical refocusing of the company's portfolio of businesses or for a dramatic change in how the corporate centre behaves towards them. For some companies it will mean both.

What, then, can a corporate centre provide that a well-run

business could not do for itself - and how does this vary between businesses? There are several ways in which businesses, even well-run businesses, can be pushed (or assisted) by parents to create more value. Many parents would claim to practise several of them; few actually do so with remotely enough clarity and drive to be truly effective.

● **Developing or improving strategy.** Business unit heads should be good managers; they may not necessarily be great strategic thinkers. Executives in the parent company may be able to help develop a better strategy by bringing greater analytical objectivity, or by drawing on wider experience - as they have at Lotus in helping its applications software businesses, or as Jack Welch and his inner team do at General Electric (US).

● **Motivating management to perform.** This is more frequently said than done. Business unit managements, whether independent or part of a larger corporation, tend to settle comfortably for acceptable, rather than outstanding, results. Few of their parents (if they have one) emulate BTR, the British conglomerate, which sets stretching targets

to push managers to a higher level of energy and instil a greater will to confront difficult decisions, thereby producing much better results. Even fewer follow the alternative approach of IBM and Caterpillar in using far more deeply-rooted expectations of performance to inspire front-line service personnel in individual businesses to extraordinary levels of dedication in meeting customer needs.

● **Upgrading management.** Again, this seems like "motherhood". But with only limited pressure from a tame board, many public companies are, in fact, slow to remove and appoint their most senior management. Corporate parents such as Hanson or Emerson Electric in the US, which demand performance and quickly replace managers who do not perform, can have a major impact on results.

● **Transferring relevant skills.** By transferring management systems, people, and specific functional expertise from one business unit to others with similar requirements, parents can have a dramatically positive impact on performance. The individual newspapers within the

New York Times chain, for example, benefit substantially from the group's skills in newspaper management. Similarly, Unilever's margarine companies, even in smaller markets, are able to draw on worldwide experience in product development, marketing and best operating practices.

● **Exploiting real synergies.** Business units may be able to derive significant competitive advantage by sharing part of their "business system", such as research and development, purchasing, or a common customer base. For instance, Del Monte's national businesses in juices and canned fruit depend upon its worldwide sourcing capability to deliver superior quality ingredients. Similarly, American Express has been able to launch a series of successful non-card businesses which target its valuable customer base.

● **Redefining business units to conform to changed industry economics.** The managers of individual business units are often slow to recognise the need to challenge the assumptions which underlie existing boundaries between units. Even when they do, they are likely to lack the necessary objectivity or broad industry perspective to redraw

those boundaries. Parents can add significant value by pushing for redefinition. For example, Ford of Europe, in order to capitalise on manufacturing economies, has redefined and subordinated its old country businesses (which combined manufacturing, marketing and sales) to a European marketing and manufacturing organisation, leaving responsibility for sales, service and execution to the country operations. Conversely, other parents have added significant value by splitting their businesses apart - as the oil majors have done in reducing their degree of vertical integration.

Obviously, individual businesses will not need all these levers to be applied in equal measure. Businesses fall into distinct types, each of which benefits most from particular combinations of the levers.

But a corporate parent can only apply the right levers effectively - and thereby justify its existence - if there is a "fit" between the needs of the business and its own competences and culture. Each type of business, in other words, has its own characteristic requirements, which must be matched by a particular parenting role.

In our work with major corporations worldwide we have observed three quite distinct parenting roles for adding value to the businesses in a portfolio on a continuing basis (see inset). Some businesses are best managed as stand-alone units, where accountability can be most clearly attributed, and costly corporate co-ordination eliminated. Often these are mature businesses, where tough financial targets and the right management are the levers which maximise performance. The most appropriate parent for these businesses is a controller. Only genuinely effective controllers can justify themselves versus the potential for buyouts.

Other businesses are best managed to focus on sharing skills, while preserving the independence and initiative of the individual business unit. These are often businesses that must remain locally responsive - such as newspapers or consumer pack-



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manage an integrated chain of businesses.

What does all this imply for corporate managers? Most fundamentally, it means that they need to choose a dominant parenting role. The generalist parent can no longer survive the challenges of the raider - it cannot add distinctive value to each and every business superior to that which alternative parents could provide. Companies such as Imperial or Chesebrough-Pond's that have not developed distinctive parenting skills will continue to be broken up by acquisition, with the constituent businesses sold on to genuine corporate specialists, be they a Hanson or a Unilever.

Choosing a role means that corporate management must first analyse the strategic context for each of its portfolio businesses to determine the kind of parent that each requires. Second, it must analyse the existing strengths and weaknesses of the corporate centre: what are the relationships with subsidiaries with which the centre is currently most familiar and skilled? In which areas does corporate management appear to be adding least value? And third, it must test potential roles against the vision of the corporation's future which is held by senior management and other important constituencies.

Once corporate management has settled on its chosen parenting role, it will generally be necessary to reshape the portfolio by focused divestments and acquisitions. At the same time, the centre will need reshaping: old patterns will have to be changed and critical skills built or reinforced. This can be an agonising process. While portfolios can be restructured quickly, it often takes five years or more to build superior corporate skills. So the corporation's potential vulnerability is increased by any delay in starting.

Even for companies whose specialist skills currently make them superior parents, defending this position will be a continuing challenge. Over time, the requirements of the businesses in any portfolio inevitably change, forcing a re-examination of the parenting role and a potential restructuring of the portfolio.

Sigurd Reinton is a Director in McKinsey & Company's London Office and head of the firm's worldwide Corporate Leadership practice. Nathaniel Foote is a Senior Engagement Manager in McKinsey & Company's London Office. This article partly draws on joint research undertaken with Michael Gold and Andrew Campbell of the Ashridge Strategic Management Centre, the authors of *Strategies and Styles* (Basil Blackwell, £29.50).

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23rd June

For a full editorial synopsis and advertisement details, please contact:

Luis Andrade, Pozzano 72-2C, 28003 Madrid, Spain on Madrid (01) 456 2778

or write to Mr Robert Leach:

Bracken House 10 Cannon Street London EC4P 4BY

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SATELLITE BROADCASTING

The Financial Times proposes to publish a Survey on the above on

29TH JULY

For a full editorial synopsis and advertisement details, please contact:

SARAH PAKENHAM-WALSH

on 01-248-8000 ext 4611 or write to her at:

Bracken House, 10 Cannon Street London EC4P 4BY.

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DIVIDEND ANNOUNCEMENT

TO SHAREHOLDERS OF GLOBAL INCOME FUND

The shareholders of sub-fund Global Income Fund are hereby informed that the Board of Directors of May 19th, 1988 has approved the payment of a dividend of

US\$ 0.20 per share

to shares subscribed and in circulation on June 10th, 1988 payable on June 17th, 1988 against presentation of coupon No 2.

The shareholders can cash the dividend at following bank:

BANQUE GENERALE DU LUXEMBOURG, S.A. 27, avenue Monterey LUXEMBOURG

The Board of Directors.

ARTS

EXHIBITIONS LONDON

The Royal Academy, Cosmos - The Early Years 1859-72. A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century...

Arts Week
F 8 (Su) M (Tu) W (Th) 10 11 12 13 14 15 16

MUSIC LONDON

Canadian Choir and London Bach Orchestra conducted by Julian Williamson with Gillian Fisher...

Orchestra Française D'Oratorio, conducted by Jean-Pierre Lora, Elisabeth Brasseur...

Berlin Philharmonie, The Berlin Philharmonic Orchestra, conducted by Seiji Ozawa...

Venice, Teatro La Fenice. Peter Maag conducts Ravel and Berlioz.

New York Oxford String Quartet, William Schuman (world premiere), Murray Schafer...

closed. Its great strength is nevertheless in Impressionism and Post-Impressionism - Renoir and Cézanne, Gauguin and Picasso...

NETHERLANDS Amsterdam, Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 600 objects...

PARIS Golden Schmitt. French masters of the 18th and 19th century. The artist greatly enjoyed this genre...

THEATRE LONDON The Common Pursuit (Phoenix). Second London chance for flawed Simon Gray comedy...

New York Frances (68th Street). August Wilson hits a home-run with a powerful tale of an old baseball player...

and applies by Gaudi's surprise by its tapers. As does Corot's young Italian woman with a red shawl. 296 Rue Saint-Hippolyte (42.62.82.35). Closed Sundays and Mondays.

NEW YORK American Craft Museum. An exhibition shows that traces the history of American architecture back to the turn of the century...

CHICAGO Art Institute. A preliminary retrospective of the work of Georgia O'Keeffe evokes the world of flowers and skulls in the luminous light of New Mexico.

TOKYO Kabuki (Kabukicho). Kabuki-za is celebrating its 100th anniversary this year, presenting both perennial favourites and new works...

WASHINGTON The Search for Signs of Intelligent Life in the Universe (Raghuvaran). Lily Fulmer explores her award-winning solo performance of the crazy people who inhabit her funny and strange imagination.

WASHINGTON National Gallery. More than 60 masterworks from a superb 18th-19th century collection of Munich's Alte Pinakothek, include paintings by Rubens, Rembrandt, Titian, El Greco and Van Dyck.

ITALY Venice, Palazzo Grassi. The Phoenicians. The fourth major exhibition at Pia's imposing art centre on the Grand Canal attempts to give a complete picture of this extraordinary people...

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VIENNA Rathaus. When 1938 Vienna's city hall is commemorating the Anschluss, the German annexation of Austria in 1938, with a large and outrageous exhibition which shows how Austrians reacted to Hitler's march into Vienna...

TOKYO Japan Folkcraft Museum (Nihon Minshukan). Kiyomasa. Prints by Kiyomasa Shiko and pottery by Kawai Kajiro. A special exhibition commemorating the centenary of the birth of the founder of the Japanese folkcraft movement, Soetsu Yanagi...

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How to Live, Work and Invest Abroad
The complete monthly guide
The rewards of life overseas are big - a better job, more money, lower taxes, a higher standard of living and a lot more.

ARTS

Cinema/Nigel Andrews

Not what it's crocked up to be

Crocodile Dundee 2 directed by John Cornell
Shy People directed by Andrei Konchalovsky
Maybe Baby directed by John G. Avildsen
Prison directed by Renny Harlin

The croc of gold is back. Crocodile Dundee 2 is the sequel to last year's money-spinning amphibian and is breaking box office records across America...

It starts in Manhattan, ends in the Australian outback and rips off Romanising The Stone along the way. (There are kidnappings, contraband, murder threats and incriminating photos.)

In a charming old swamp-edge shack with her three innocently batty sons, who are soon being corrupted by the drug-carrying Clayburgh daughter...

in a charming old swamp-edge shack with her three innocently batty sons, who are soon being corrupted by the drug-carrying Clayburgh daughter...



Paul Hogan in "Crocodile Dundee II"

Jill Clayburgh and Barbara Hershey in "Shy People." The boys are in the swamp, and the girls are in the swamp...

Search me, cobbler. The rapidly attractive Linda Kozlowski does sex-appeal dirty again as our hero's bird, and John Mellon returns as Mr Dundee's Anselie sidekick.

So the long day wears on. The boys get high on drugs and alcohol, the women get low on memory-swapping and despair, and the daughter is more or less raped. It all ends in the swamp waters, complete with ghosts and near-drownings.

Ex-Russian Konchalovsky directs the film as if giving us another lesson in how the West is a sink-of-iniquity and/or a prison (see Runaway Train). But I am unimpressed by the claim implicit in his work...

sin, do not be discouraged if your Dad (Kenneth Mars) responds to the news of your impending parental status by saying, "You had a gerbil last year and you forgot to feed it and it died." Dad is a tiresome old primitive who would probably be happier living in the Louisiana swamps.

New trends and a new freedom found in the festival labyrinth

There was talk in the offices of Goskino of bypassing Baku, this year's scheduled host-city for the 21st National Festival of Soviet Cinema...

role for the filmmakers as the in-house meetings, particularly those held impromptu in hotel rooms by studio directors...

examines human failings in close-up: this Georgian road movie about a talented pianist who forsakes the good life to earn his bread as an itinerant pianist...

responsibility to adapt Somerset Maugham's story The Letter, now that Change of Destiny has achieved its immediate aim...

Among new productions and works-in-progress on view in the Azerbaijan Studios, Leonid Osvyankin's Come In, Seekers! (Dovzhenko Studios Kiev) and Vagif Mustafayev's The Scoundrel (Azerbaijanfilm Baku)...

Ronald Holloway reports on the 21st National Festival of Soviet Cinema in Baku.

Travelling on Business in Italy? Enjoy reading your complimentary copy of the Financial Times when you're staying... in Milano at the Diana Majestic, Duca di Milano, Hotel Excelsior Gallia, Hilton Hotel, Hotel Michelangelo, Hotel Palace, Hotel Principe di Savoia

Arts guide June 17-23. Continued from Page 16. New York, Lincoln Centre Opera House. Paris Opera Ballet dancing American premieres of works by Robert Wilson...

The Traitor/Young Vic Studio

Martin Hoyle

"All clear behind the arras?" nervously queries a conspirator, evidently a playgoer who knows how these things are done. In fact Depazzi (apparently referred to, aptly, as "the patsy" by the Renaissance court) is the most interesting character in Medicean Florence...

Dominic Letts brings to the honour-obsessed Schiarrha a passionate approach that may not be quite fraternal (shades of The Pig?) and the whole is shot through with uncluttered, clean-lined language that rises to poetry in such moments as the virginal Amidea's description of her bridegroom...

Goehr/Almeida Festival

Max Loppert

Among the many marvellous features of the Almeida Festival must be counted the willingness to explore a wide range of contemporary music - not just the new names of fashion, but the not-so-recent figures on the post-war musical scene.

Apart from Feldman's 1951 String Quartet, soft-voiced, gently repetitive, and quietly compelling, it was Goehr's First String Quartet which provided the most rewarding experience.

But the personal voice that Goehr was to develop as much by modifying these influences as by consolidating them comes out with sudden, startling clarity in the finale, where the need to provide a convincing conclusion produces some fiercely impassioned, dramatically crescendo counterpoint flying across the four parts...

Karine Georgian/Wigmore Hall

Richard Fairman

This duo recital was an interesting exercise in paying musical tribute. In the first half the Soviet cellist Karine Georgian and the English pianist Moura Lympany each played music from their respective partner's country, and in the second they joined forces for a performance of Rakhmaninov's Cello Sonata...

complex textures of the B flat Op 23 No 2, and even the favourite G sharp Minor, it seemed that an undue amount of concentration was going into getting all the notes in the right place and not enough was left to sort out the voices or place the chords exactly.

Saleroom/Antony Thorncroft

Grecian liquid gold

A gold cup, made in Greece around 2,600 BC and probably used for ceremonial drinking rituals at a "royal" table, sold for £188,888 at Sotheby's New York on Wednesday. The cup is six inches high, with a soaring spout, and has been linked to an example discovered at Troy by Schliemann in 1873.

massive three-quarters bought in. A 1935 sculpture by Herbert Haseltine of a horse's head in white marble, commissioned by the people of Nawangan in India in honour of their Maharajah, was among the casualties, unsold at £70,000. Top price was the £57,977 paid for a Majorelle and Daum table lamp in the form of a lotus flower; it had been estimated at up to £3,000. A Galle vase, "L'Hippocampe" sold for £52,707 as did a black lacquer and ivory bow front chest of drawers made by Jean Dunand.

Perahia replaces Horszowski at Aldeburgh

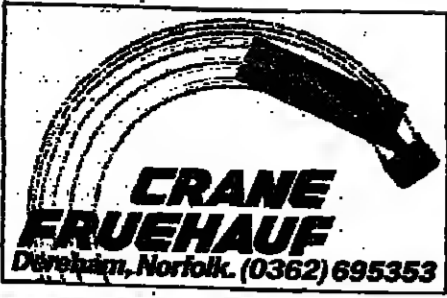
Mieczyslaw Horszowski, who celebrates his 96th birthday this month, has had to cancel his piano recital during the Aldeburgh Festival at Snape Maltings on June 19 because of a finger infection. Murray Perahia, one of the Festival's Executive Artistic Directors, will step in with a programme of Mozart, Schubert, and an all-Chopin second half.

This will be Murray Perahia's first solo recital at Snape since 1982.

FINANCIAL TIMES Europe's Business Newspaper

FINANCIAL TIMES Europe's Business Newspaper

Friday June 17 1988



GE to buy Borg-Warner chemical unit for \$2.3bn

BY ANATOLE KALETSKY IN NEW YORK

BORG-WARNER, the Chicago-based industrial conglomerate which was taken private just over a year ago in a \$4.2bn leveraged buyout, yesterday agreed to sell its specialty chemicals business to General Electric of the US for \$2.3bn in cash.

The Borg-Warner division is the world's leading producer of ABS, an important thermoplastic resin, and was considered the crown jewel of the company's industrial empire. Its sale will leave Borg-Warner with two core businesses - automotive components and information and protective services, including credit checking services and cash transportation. The cash generated by the sale will put Borg-Warner's owners, an investment group led by a Merrill Lynch leveraged buyout fund, well on the way to repaying

the \$4bn of debt they assumed in last year's LBO. In the past 12 months the company has raised about \$1bn by selling its commercial finance arm, its industrial products business and a few other divisions. For General Electric, the deal seems to represent an attractive opportunity to expand the specialty materials business which the plant industrial and financial services group has identified as one of the main pillars of its long-term corporate strategy. GE plastics makes a range of high strength thermoplastics which it said would fit well with Borg-Warner's ABS production. As a result of the acquisition, as well as a silicone joint venture recently formed with Union Carbide, GE Plastics will become one of the world's leading manufacturers of specialty materials,

Crash costs James Hardie \$72.7m

By Our Financial Staff

JAMES HARDIE Industries, an Australian building products and paper company, has written off all the \$72.7m (US\$93.8m) unamortised goodwill on its books, in a review which it said was prompted by the October stock market crash. The move, together with other smaller extraordinary losses, left Hardie with an attributable deficit of \$420m for the year to March, compared with bottom-line profits the previous time of \$252.9m. In other respects the year was good, with sales up 16.2 per cent to \$1.74bn and net operating profits of \$470.44m against \$350.58m. The company still felt able to pay an increased total dividend of 17 cents a share compared with an adjusted 15.23 cents. Hardie, which recently signalled plans to split into four separately quoted businesses, said all divisions improved their performance, particularly in the second half. The Spicers paper division would be spun off later this year, directors added yesterday. Disposals of non-core operations are expected to raise \$4150m by the end of 1988.

Saudi charts its course downstream

BY MAX WILKINSON AND ANDREW GOWERS IN LONDON

SAUDI ARABIA'S decision to clinch a deal to buy an \$800m half share of three Texaco refineries and associated petrol stations springs from a long-standing ambition to move into the "downstream" part of the oil business.

As long ago as 1974, Sheikh Ahmed Zaki Yamani, the former Saudi oil minister, was canvassing the idea of buying or constructing refineries to add value to Saudi crude and to secure long-term markets. However the difficulty then, as now, was that high grade refineries capable of converting the heavier fractions of the barrel into lighter spirits were not for sale. The older refineries which major oil companies have been closing or selling would not be much use to a country taking a long-term view of the markets unless it were prepared to commit a very large amount of capital into upgrading the facilities. For Saudi Arabia, this has been compounded by its lack of technical and managerial expertise and by a patchy record in managing large projects. In the event, the lead in downstream integration among Gulf producers was taken by Kuwait, which has a long tradition of aggressive involvement in commerce. In 1981, the newly-formed Enwait Petroleum Corporation bought Santa Fe International, the US oil exploration company, following this two years later with the purchase of Gulf Oil's



Mr Hisham Nazer

refining and marketing operations in the Benelux countries and in Scandinavia. Following further purchases including a small independent chain of petrol stations in the UK, KPC now owns 4,500 outlets in seven countries with refineries in Rotterdam and Gujraevan. When the rebuilding of its Mina Abdullah refinery is completed, with a capacity of nearly 200,000 barrels a day (b/d), Kuwait will have a total refining capacity of about 700,000 b/d - about 70 per cent of its maximum output agreed with fellow members of the Organisation of Petroleum Exporting Countries. Although Saudi Arabia has built seven refineries on its own soil, including one export refinery as a joint venture with Shell

and another with Mobil, it has looked with envy at the much greater flexibility which Kuwait achieved in disposing of its crude at times of excess supply. The Saudis have also noted the foothold which Venezuela, another Opec member with growing downstream interests, has been able to build in the all-important US market, as well as the purchase of a 5 per cent stake in France's CFP-Total by Abu Dhabi and Kuwait's 22 per cent interest in BP. The lesson was particularly obvious in 1986, when oil prices collapsed and Saudi Arabia was obliged to move to a policy of "net-back" pricing in order to shift its crude. The netback formulas guaranteed refiners a set margin as crude prices and product prices fell. When Mr Hisham Nazer took over from Sheikh Yamani as oil minister in the autumn of 1986, he started actively to look at ways of expanding downstream in parallel with his reorganisation of the domestic management of Saudi Arabia's oil business. He likes to talk grandly of a "global sectoral integration in the energy business" which is supposed to advance Saudi Arabia's desire for "stability and economic rationality in the world energy market". What this means in effect is using joint ventures - in which the kingdom argues its petrochemical industry has given it significant experience - to gain a stake in key Western markets and to give Western companies

security of supply. Texaco was a logical partner because of its need for cash and its long-standing association with Saudi Arabia's oil business. Together with Standard Oil of California, now Chevron, it was one of the first companies to prospect for oil in the kingdom in the 1930s. It is an involvement that has lasted to this day in the form of the Arabian American Oil Company (Aramco), the Saudi-owned but Delaware-registered company which takes care of oil production within the kingdom.

The deal announced yesterday was a departure from Saudi Arabia's hitherto low-profile approach to foreign industrial investments. It should also give Mr Nazer a boost in his efforts to turn Aramco into an integrated national oil company. He has been working over the past eighteen months to rationalise the industry by splitting up Petromin, which is supposed to be in charge of refining, marketing and distribution within the kingdom.

However, it is not clear that the deal presages similar moves with the other Aramco partners - Mobil, Exxon and Chevron - or with oil companies elsewhere. There are signs that the other US oil majors have been distinctly unenthusiastic about Saudi attempts to cajole them into restructuring their relationship with Aramco by entering into similar joint ventures.

Pennwalt shares soar on news of possible bid

By Roderick Oram
In New York

SHARES of Pennwalt, a Philadelphia-based chemical and drug maker, soared yesterday on news that an investor group with a 6.5 per cent stake might launch a takeover or some other action to boost shareholder value. The stock, which jumped \$4 to \$74 3/4 to value the company at about \$850m, has more than doubled since October because analysts have been citing the company as an ideal takeover target. Not only are its existing businesses strong but it is also steadily developing its own line of prescription drugs.

SmithKline forecasts 10% earnings fall for 1988

BY OUR FINANCIAL STAFF

SMITHKLINE BECKMAN, the US pharmaceutical group, expects operating earnings for the year as a whole to be 5 to 10 per cent below the \$87m of 1987. The company attributed the predicted decline to lower-than-expected sales and higher trade inventories of Tagamet and Dyazide, its two leading US pharmaceutical products. Earnings per share for the year are also expected to post a decline of between 5 and 10 per cent from the \$4.50 reported for 1987. Second and third-quarter operating earnings are forecast to be 20 to 25 per cent below those of a year earlier. The company said 1988 sales of Tagamet, an anti-ulcer drug, would be below those recorded for 1987. It said it had assumed it would maintain or improve its market share with Tagamet.

But aggressive promotion and a joint marketing agreement with Du Pont had not paid off soon enough to help reduce trade inventories. Sales in 1988 of Dyazide, which combats high blood pressure, will also be below those of 1987 due to trade stocking and generic competition. Mr George Ebricht, president and chief operating officer, said SmithKline Beckman would move aggressively to restructure its global pharmaceutical business and corporate staff to enhance its competitive position, causing a one-time charge later this year. "We're aiming at substantial cost savings. The result will be a favourable impact on earnings beginning in 1989." The company said the projection of earnings per share for the year excluded the effects of the charge.

CRA in metals unit merger talks

CRA, the Melbourne-based mining affiliate of British RTZ, is discussing a merger of its base metals operations with those of North Broken Hill, forming what analysts said would be Australia's largest zinc producer. The companies said the talks remained exploratory. North this year took over Feko-Wallend in the country's biggest mining merger. A combined operation would eclipse MIM Holdings in zinc, while CRA and North would also put in their involvements in lead.

Nova wins Polystar with higher C\$2bn bid

THE EIGHT-MONTH takeover battle for Polystar Energy and Chemical, eastern Canada's largest petrochemical producer, is over, following agreement on a sweetened bid of almost C\$2bn (US\$1.64bn) by Nova, the western Canadian energy group, writes Robert Gibbins in Montreal.

Nova, headed by Mr Robert Blair, will link up its own primary and secondary petrochemical business in Alberta with Polystar's in Ontario to become by far the largest producer in Canada.

The Federal Government is not expected to intervene, because Canadian petrochemical prices are set by the US Gulf Coast, and the Canadian industry will have to compete internationally. Mr Blair also gets 51 per cent of Canterra Energy, Polystar's oil and gas subsidiary, with oil and gas reserves in Western Canada. This may be sold to Husky Oil, which Nova controls in partnership with Hong Kong interests.

French-owned Aquitaine company of Canada in the 1970s, won his fight to maximise Polystar shareholder value.

In this he had the petrochemical market on his side. Prices have soared this year, bringing a huge increase in Polystar profits. Mr Isautier had already paid about C\$10 a share in distributions to Polystar holders during the fight for control. The takeover mechanism has been determined by the legislative limit that holds any single shareholder in Polystar to a maximum of 25 per cent. Nova had already reached this limit. The deal requires Nova to buy the Polystar assets. The cash will be distributed as a dividend to all Polystar shareholders except itself. Nova will pay C\$14.50 cash plus half a Nova share, together worth C\$20.31 a share, for each Polystar common, up from its C\$17 a share of last week and comparing with C\$21.25 asked by Polystar. Last Sunday Mr Blair said he would not pay more than C\$17 a share.

The Government of JAMAICA



Hotel Divestment Unit

As part of the Government's continuing divestment programme, Samuel Montagu & Co. Limited, in association with Smiths Gore Overseas Limited, have been instructed to invite offers for the sale of the following properties:

Hotel Programme

Name	Location	Title	Rooms	Acres	Beach Frontage (feet)
Hedonism II	Negril	Freehold	280	18	1088
Wyndham Rose Hall	Montego Bay	Freehold	480	28	1200
Holiday Inn	Montego Bay	Freehold	516	11	1000
Jack Tar Village	Montego Bay	Freehold	128	11	936
Casa Montego	Montego Bay	Freehold	129	7	-
Trilawny Beach Club	Falmouth	Freehold	332	9	325
Jamaica Jamaica	Runaway Bay	Freehold	238	19	500
Eden II	Ocho Rios	Freehold	261	20	700
Inn on the Beach	Ocho Rios	Freehold	46	2	-
Mallards Beach	Ocho Rios	Freehold	394	7	580
Americans	Ocho Rios	Freehold	350	7.5	535
Wyndham New Kingston	Kingston	Freehold	384	7.5	-
			3,538	147.0	-

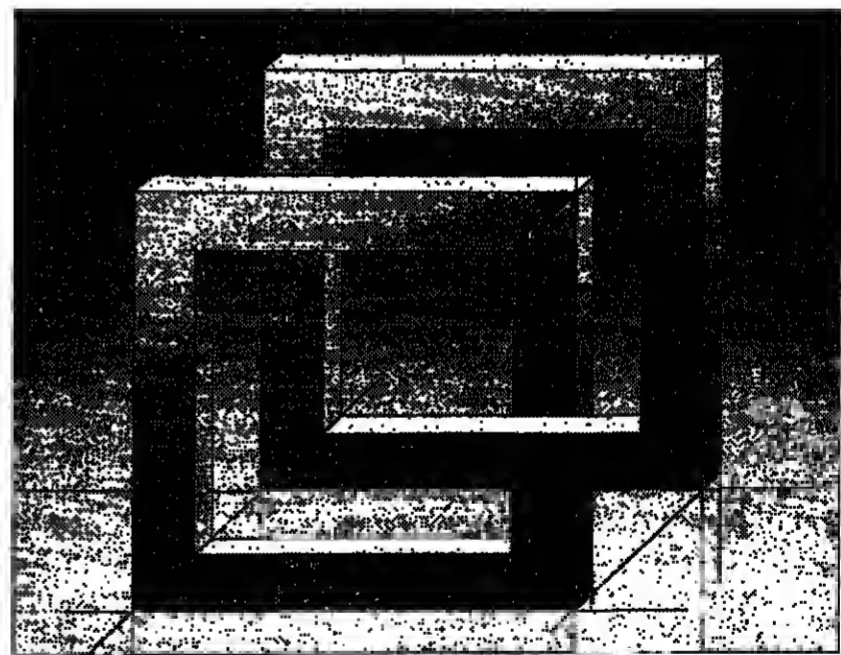
- Except for Mallards Beach Hotel, which will be offered with vacant possession, all of the above properties have been leased to established hotel operators. The leases provide for the payment of minimum rentals and for additional rents based on the occupancy or gross operating profits of the hotels.
- Audited gross rental income in 1987/88 from ten of the hotels was US\$14.2 million. Casa Montego was closed for refurbishment and Mallards Beach was under direct management. The eleven operating hotels reported an average annual occupancy of 67% for the year.
- The Wyndham Rose Hall and Jamaica Jamaica properties include 18-hole golf courses which will be offered on long leases.
- Limited debt-equity swap arrangements will be considered.

Spa Development
Interest is invited from investors and developers to undertake the renovation and expansion of two thermal spas dating from the 17th century:
● Milk River, Clarendon
● Bath, St. Thomas
Both sets of buildings are of historic interest, and the mineral waters are reported to compare favourably with the leading European spas. The spas are offered on long term leases.

Brochure available from:
Ruth Kibble Telephone 01-260 9452
Samuel Montagu & Co. Limited Telex 887213
address below Fax 01-488 1630

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10 LOWER THAMES STREET, LONDON EC3R 6AE. TELEPHONE 01.260 9000
Samuel Montagu & Co. Limited a member of The Securities Association

Who put in a winning performance in 1987?



The Frankfurter.

We shall be pleased to send you the Summary of our 1987 Annual Report upon request.

Key figures from the 1987 Annual Report (DM m.):

New loans	3,710.0
thereof: mortgages	1,565.6
loans to the public sector	2,144.4
Sales of bonds and other borrowings	4,417.6
Lendings	27,119.7
thereof: mortgages	14,280.4
loans to the public sector	12,839.3
Bonds outstanding	27,163.5
incl: mortgage bonds	11,235.1
communal bonds	13,248.4
Share capital	89.6
Reserves	612.2
Balance sheet volume	29,392.4
Interest surplus	258.6
Staff and other operating expenses	66.9
Partial operating result	194.7
Taxes	90.7
Net income for the year	51.5
Dividend per DM 50 share	DM 12

The reputed rating agency Standard & Poor's (S & P) rated Frankfurter's mortgage bonds and communal bonds AAA. To-date Frankfurter is the only private sector mortgage bank in Germany which has been awarded this rating for its bonds by S & P. An investment in Frankfurter's bond is safe and yields very good returns.

Frankfurter Hypothekbank AG
Jungthofstrasse 5-7
D-6000 Frankfurt am Main 1
Federal Republic of Germany

Frankfurter Hypothekbank

INTERNATIONAL COMPANIES AND FINANCE

The chief executive of New Zealand's largest company talks to Dai Hayward Hugh Fletcher looks for a new challenge

MR HUGH FLETCHER, chief executive of Fletcher Challenge, New Zealand's largest company and the world's third largest paper and forestry group, is the most powerful industrialist in the country, at 40 — but he plans to step down in five or six years.

"I believe it is wrong for any person to have the same job for more than a decade. Power corrupts. I won't be here when I'm 50. I will get out while I am still young enough to be good in another useful job."

He has no specific plans as to what, or in which sphere, that job might be. The post of chief executive at any other New Zealand company would have little appeal after running Fletcher Challenge. The board is aware of his intention to move, though, and a shortlist for his position is already emerging.

Mr Fletcher is the third generation of a family which built Fletcher Holdings into a successful industrial and investment company, merging it with Challenge Corporation in 1981. Today he runs a company with 37,000 employees worldwide, a turnover of NZ\$5.8bn (US\$4.1bn) and total assets of NZ\$8.1bn. More than half these assets are outside New Zealand. Hugh Fletcher has been a driving force in the global expansion which has proceeded rapidly over the past four years. Its operations in New Zealand, Australia, Canada, the US, Chile and countries in the Pacific Basin cover three main categories — forestry, building and construction, and primary industries originally based around New Zealand's agricultural sector but now involving extensive local and overseas fishing operations.

Last year's net profit of NZ\$351.1m was 48 per cent up on the previous year and this year the company is on track to make NZ\$500m — a record for any New Zealand company. Reflecting its asset spread, over half the earnings will come from overseas

operations which Mr Fletcher has guided into financially successful undertakings.

He joined Fletcher Holdings as research officer in 1969 while still at Auckland University. The next year he was awarded a fellowship to the Stanford School of Business in the US, gaining a Master of Business Administration degree. Coming home to the job of personal assistant to Sir James Fletcher, his father, Hugh was also, at 25, made responsible for the group's investments.

Over the next few years he played a major role in reshaping company philosophy and restructuring the management system. Executives are given wide responsibility — but linked to accountability.

Management structures are on a flat organisational plane rather than pyramidal. The company is divided into 14 sections which in turn are highly decentralised. "Our organisational philosophy is based on creating small autonomous management units, delegating decisions to those closer to the problems while at the same time expecting accountability for their decisions."

Some who could not stand the close scrutiny have left the company, often for successful careers with other companies. Last year Fletcher paid some US\$120m for forestry and newsprint operations in Chile. The decision — which aroused criticism from opponents of that country's political system — was an example of management involvement and discussion.

"It is obvious that, because of the size we had reached in New Zealand, future growth would have to be largely overseas. We asked: 'Where are the big opportunities?' — we had already moved into Canada. Chile with its timber resources, which slotted into our existing operations, was another strong possibility.

"Politics was a concern. The discussion on whether or not we



Hugh Fletcher: 'I won't be here when I'm 50'

should go into Chile involved a dozen top management people — there were different views. Some thought that at some time we may have to terminate our operations there. Others thought that it would be morally wrong to buy into that country.

"It was a deliberate decision. We decided to move into Chile but we have elected, quite deliberately, to put a limit on our expansion there."

The expansion into Chile gave access to extensive radiata pine resources. These have helped Fletcher Challenge expand and develop its worldwide forestry marketing operations. The drive to expand overseas has grown steadily since 1982. Fletcher Challenge now owns huge forestry and newsprint interests in Canada, most recently paying about US\$70m (US\$460m) last November to buy the remaining half of British Columbia Forest Products.

It also has a construction company in Hawaii, housebuilding, construction and property development operations in Australia, a home building company in California, investment in Australian and Danish fishing companies, and meat marketing interests in the UK.

Its growing internationalism has also established the company

in world money markets. Last year it had difficulty borrowing NZ\$1.8bn from overseas, going on in March to raise NZ\$750m from a group of European, US, Canadian and Japanese banks to finance its NZ\$1bn-plus purchase of Petrocorp, the energy group bought from the New Zealand Government.

When assessing funds, the company seeks to match offshore liabilities with offshore assets to reduce exposure to foreign exchange variations.

It was a chance remark that led to the acquisition of the Crown Zellerbach Canada forestry company in late 1982, Fletcher's first big North American foray. Mr Fletcher was at a business conference when he overheard an executive of Crown Zellerbach mention that the US parent company might consider selling off its Canadian operation.

Always quick to realise the potential of a situation, he decided to find out more — arranging to sit beside the Canadian executive on a bus taking delegates to a factory inspection.

From this Mr Fletcher secured a tour of the Crown Zellerbach Canadian facilities. "I liked what we saw. These fitted almost exactly into the specifications we needed for overseas expansion. However, the hardest part of the whole operation was to convince Crown Zellerbach USA that we, from New Zealand, were credible purchasers."

"Our team started three months of very tortuous negotiations where we were really arguing them down to a final price of NZ\$330m. They loaned us back half the purchase price and we were lucky to get such a good deal."

He now says the acquisition of Crown Zellerbach Canada was the most important strategic move the group has made since the merger which produced Fletcher Challenge.

Despite its number one ranking in New Zealand, Mr Fletcher does not ignore the possibility that the company could be open to a takeover bid. He sees part of the answer to this in winning the loyalty of shareholders by creating wealth. He agrees, though, that even with a share price he views as currently undervalued, it would be difficult for any company to acquire the whole of Fletcher Challenge.

Foreign forestry companies might eye with envy Fletcher's paper and pulp operations, but it would now be difficult to separate these from its other diverse operations. Politically and historically there would be problems in New Zealand for any would-be corporate raider.

The largest single shareholder is the staff pension fund which holds more than 15 per cent of the equity. Although a strong critic of New Zealand's labour laws and union practices, which he sees as too inflexible in the climate of economic change New Zealand is undergoing, Mr Fletcher believes strongly in staff shareholding as a way of spurring performance.

Mr Fletcher is a sometimes severe critic, sometimes fan of the New Zealand Labour government and its economic policies. He believes the free trade theories espoused by Treasury officials will not work for New Zealand — partly because of the many examples of trade discrimination which operate against it.

At the same time he welcomes the deregulation of the internal economy and wants this extended further to include such government institutions as railway and electricity supply. He also says that reducing taxation by more than half, to 25 per cent, has been a "remarkable" feat.

Despite his criticism of the Government, Mr Fletcher was invited to become chairman of Air New Zealand — a job he accepted and which he relishes.

Mazda doubles interim profits

BY OUR FINANCIAL STAFF

MAZDA MOTOR, the Japanese car and truck maker which is nearly a quarter owned by Ford Motor of the US, more than doubled its profits in the six months to April as it embarked on a recovery from a bad patch in the previous year.

Parent company pre-tax earnings reached ¥10,700m (US\$330m). Although this was still well below the ¥15bn interim level for 1985-86 it compares with only ¥5,030m the year after.

Sales grew 10 per cent to a record ¥84.8bn, but officials attributed the gain also to a relatively slow rise in costs. Non-operating profits rose 85.9 per cent to ¥1,170m.

"We had more cost-effective operations during this period," one said. "Sales went up considerably because of our marketing efforts, but costs did not rise that much."

Supported by strong personal spending as a result of measures to stimulate the Japanese econ-

omy, domestic sales climbed 10.4 per cent to ¥323bn.

Exports rose nearly as fast despite the strength of the yen, gaining 9.8 per cent to ¥561.8bn.

Mazda said shipments to Europe were strong — up by 20,000 units to reach 159,000 — though those to the US stalled due to the yen's strength as well as Japanese government-imposed export restraints.

In unit terms, shipments to North America fell 59.7 per cent to 178,000 in the half-year. Mazda has raised its selling prices in the US on four occasions since August, most recently by 2 per cent last month.

According to Mr Yoshihiro Wada, a vice-president, output at Mazda Motor Manufacturing (USA), the company's Michigan plant which started last September, is planned to rise to a monthly 20,000 cars from 9,000 in May. Start-up costs are likely to hold back results at the consolidated level.

At the same time, Mazda is restructuring its US business, leaving the manufacturing side wholly owned but putting its California-based importing side into a venture where it shares ownership with two big Japanese trading houses. Sumitomo Corporation will hold 30 per cent of Mazda Motor of America and Citibank 20 per cent.

The move, which combines three regional distributors for the US, is aimed at bolstering its American presence.

Worldwide, car sales rose by 5.1 per cent to 438,494 units, while 173,000 trucks were sold, a decline of 7 per cent as a result of severe price competition in North America.

Mazda expects parent pre-tax profits of ¥23bn for the full year to October, up 127 per cent. Mr Wada said this assumes a yen/dollar rate of ¥125 yen. Sales are estimated to rise by 13.6 per cent to ¥1,820bn.

June 1988

NORTH BROKEN HILL HOLDINGS LIMITED

US\$150,000,000

Euro Commercial Paper Programme

Arranged by

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Results in brief	1987	1988	% Increase
Turnover	£116.6m	£187.9m	61
Profit before tax	£15.0m	£25.0m	67
Earnings per share	8.9p	12.2p	37
Dividends per share	3.0p	4.2p	40

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MAGAZINES, NEWSPAPERS, EXHIBITIONS

The contents of this statement, for which the Directors of EMAP plc are solely responsible, have been approved for the purposes of Section 57 of the Financial Services Act 1986 by Arthur Young as authorised persons.

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Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary shares of the Company in the United Kingdom. It is emphasized that no application has been made for these securities to be admitted to listing. Dealings in the shares are expected to commence on 23rd June, 1988.

John Tams Group PLC
(Incorporated in England under the Companies Act 1948 to 1981, registered number 1824815)

Placing by
Lloyds Merchant Bank Limited
of 3,700,000 Ordinary shares of 10p each at 80p per share

Share Capital	Issued and now being issued fully paid
£2,500,000	£2,200,000
In Ordinary shares of 10p each	
The Ordinary shares now being placed will rank <i>pari passu</i> in all respects with the existing issued Ordinary shares including the right to receive all dividends and other distributions hereafter declared, made or paid on the ordinary share capital of the Company.	

John Tams Group PLC is a long established manufacturer of durable everyday earthenware, comprising principally ceramic mugs and tableware.

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Lloyds Merchant Bank Limited, 40-66 Queen Victoria Street, London EC4P 4EL	Albert E. Sharp & Co., 6-7 Queen Street, London EC4N 1SP
Lloyds Bank Stockbrokers Limited, 40-66 Queen Victoria Street, London EC4P 4EL	Albert E. Sharp & Co., 12 Newhall Street, Birmingham B3 3ER

17th June, 1988

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

David Lascelles reports on the meeting of bank supervisors in Basle Reaching for a capital solution

AS INTERNATIONAL bank supervisors in Basle prepare to put the finishing touches to their capital convergence accord, there are indications that some last-minute changes may be made, although they are likely to be less far-reaching than many bankers would wish.



Peter Cooke identifies three key parts for review

those that are "dirty" and earmarked to cover specific losses. This is another sensitive issue since many banks, particularly in the US, treat their loan loss reserve as capital. However, Mr Cooke said this was too large an issue to resolve before the accord came into force, but added that it would be a priority for his committee's further work.

Intel unveils low cost chip for personal computers

BY LOUISE KEHOE IN SAN FRANCISCO INTEL, the leading US microprocessor manufacturer, yesterday unveiled a long-awaited low cost version of its 386 microprocessor. It claims it will make the power of high performance 32-bit personal computers available in lower-priced standard business class personal computers.

Enichem sees fast growth after 1987 profits surge

BY ALAN FRIEDMAN IN MILAN ENICHEM, the Italian state-owned chemicals company which is currently negotiating a merger with the chemicals businesses of the Montedison Group, last year achieved a net profit of L1,500bn (\$1,000m). The Enichem profits, compared with a 1986 net result of just L1,000bn, reflects years of restructuring.

Shearson in Philippine equity fund venture

By Stephen Fidler, Euromarkets Correspondent A FUND for equity investment in the Philippines based on the Government's debt-to-equity swap programme has been launched by Shearson Lehman Hutton and the International Finance Corporation, the private sector investment affiliate of the World Bank.

Interest rate fears bring sharp falls in most sectors

FEARS OF rising global interest rates hit the Eurobond market yesterday and prices in most sectors were marked down substantially, eliminating many of the gains posted earlier this week in a short-lived rally which followed the release of favourable US trade data on Tuesday.

INTERNATIONAL BONDS

deal at 101 which was launched at a 18 basis point margin over comparable Treasuries. The deal saw healthy initial demand when it was bid well within its total 1% fees, but it was hit hard after the New York market collapsed, slipping to end the day bid at a discount of less than 1%.

ITOKI KOSAKUSHO CO., LTD. U.S.\$50,000,000 4 1/4 per cent. Guaranteed Bonds 1993 unconditionally and irrevocably guaranteed by The Dai-Ichi Kangyo Bank, Limited with Warrants to subscribe for shares of common stock of Itoki Kosakusho Co., Ltd.

VW plans Paris, London and Tokyo listings

By Paul Betts in Paris VOLKSWAGEN, the West German car group, plans to introduce its shares on the London, Paris and Tokyo stock exchanges in the final quarter of this year as part of efforts to widen its presence on international financial markets.

Singapore unit for Credit Lyonnais

By Our Financial Staff THE MONETARY Authority of Singapore has allowed Credit Lyonnais of France to open a merchant bank in Singapore, a senior bank official said.

Chase reshapes securities side

By Our Financial Staff CHASE MANHATTAN'S board has restructured its business in order to exercise the securities powers granted by the Federal Reserve and upheld by the US Supreme Court decision earlier this week.

FT INTERNATIONAL BOND SERVICE

Table listing international bonds with columns for Issued, Bid, Offer, Day, Week, Yield, and other metrics. Includes sections for US DOLLAR, OTHER STRAIGHTS, DEUTSCHE MARK STRAIGHTS, SWISS FRANC STRAIGHTS, and CONVERTIBLE.

UK COMPANY NEWS

British Gas tops £1bn in first year

BY MAX WILKINSON, RESOURCES EDITOR

British Gas yesterday announced an increase in its dividend to 8p per share for 1987/88 after reporting an underlying rise in profits of 21 per cent on a current cost accounting basis.

Comparison of profits and dividend is somewhat obscured by the fact that this was the first full year of the company's operation in the private sector.

Reported profits after tax for the year ended March 31 were £568m, almost the same as the actual profits after tax of £571m of the previous year (on a CCA basis).

However, when the company was privatised, the Government placed £2.5bn of debt in its balance sheet. If the 1986-87 results were adjusted to take account of a full year's cost of the debt, the profits figure would fall to £489m. Similarly the 1986-87 dividend for a full year would have been 6.5p.

Pre-tax profits on a CCA basis were £1.01bn in the last financial year - an underlying increase of 12 per cent on the restated 1987 result. On a historical cost basis, 1988 profits after tax were £316m, representing earnings of 19.7p per



Sir Denis Roope, chairman, and Robert Evans chief executive

the industrial sector.

The company says that in the year it added more than 250,000 customers and an underlying 4 per cent to the volume of its gas sales after allowing for changes in average temperatures. It also improved its own efficiency, reducing the number of employees by 3,776 or 4.4 per cent of its workforce.

The results show an increase of £68m in cash, after allowing for payment of £270m in dividends, £55m in tax and £388m for a 51 per cent stake in Bow Valley Industries, the Canadian oil and gas exploration company. Total cash generated by the business increased by 16 per cent to £1.76bn.

However turnover was slightly down at £7.36bn compared with £7.61bn the previous year, reflecting the lower gas prices. Total gas costs fell 10 per cent - including the gas levy - while the wage bill fell 3.4 per cent to £1.14bn.

At the end of the year British Gas had 2.9m shareholders holding 4.15bn shares.

See Lex

Strike at VSEL not likely to hit profits

BY CLARE PEARSON

VSEL Consortium, the naval defence contractor, yesterday said the eight-day old strike by 80 per cent of its workforce could go on for weeks without affecting its profitability.

At the same time, the company, which has 11 Trident submarines reported better-than-expected results for the past financial year, with pre-tax profits emerging 17 per cent higher at £17.63m (£15m).

Dr Rodney Leach, chief executive, said the strike: "We're saving on it at the moment, and our long-term order books means it could go on for several weeks without having a material effect."

But he also said steps were being taken to bring the strike to a speedy conclusion. The dispute, which arose over the management's insistence on a fixed two-week holiday for all, began with an unofficial walk-out last Wednesday at the Barrow-in-Furness yard.

VSEL was privatised in a management buy-out two years ago. The group has an order book worth about £2bn, of which the first two Trident nuclear submarines being built at the Barrow yard, constitute about a half. The strike also affects the company's five other nuclear submarines, four diesel electric submarines and a Type 23 frigate.

In the year to end-March, trading profits were £21.21m (£17.19m) on turnover of £429.59m (£382.21m). After interest payable of £7.33m (£5.34m) and £1.23m of advanced corporation tax, earnings per share were 46.5p (38.8p). The final dividend is being increased to 7p, which makes 10p (8p) for the year, a 25 per cent increase.

Trident will not begin to make a contribution to profits until the end of the current year.

commentYesterday's apparent implication by VSEL's management that it matters not a jot if the strike drags on for weeks may not have been the most polished exercise in industrial relations, but it certainly reassured the City. The shares rallied sharply by 20p to 483p as the company's upbeat tone filtered through. VSEL's £2bn order book is enviable: it represents some three times current turnover and contains no current debt. Not included in that £2bn are the extra two Trident's the Government must order over the next few years and VSEL has the potential to get £350m from a Canadian nuclear submarine export order. As the company begins to take profits from the first Trident submarine this year, pre-tax profits could come out at £22m, putting the prospective p/e below 9 - hardly demanding.

Poultry margins squeezed as Unigate dips to £94m

BY LISA WOOD

Unigate, chilled foods to distribution group, yesterday reported pre-tax profits of £94m for the year to March 31 1988, a 10 per cent decline on the previous year.

The performance was in line with City expectations. The group's problem areas - such as poultry - have received considerable publicity over the past 12 months.

Earnings per share were also 10 per cent lower at 27.8p compared with 30.9p. The directors are recommending a final dividend of 7.7p making 12.65p (11.5p) for the year.

Turnover of £2.2bn compared with £2bn last time. Operating profit dipped to £104m compared with £107.7m. Interest charges rose considerably from £7.4m to £12.6m reflecting acquisitions, which totalled £61m, and capital expenditure of £124m.

The performance of St Ivel - the yoghurt to cream division improved in the second half with

a firming of cheese prices and improved margins on cream and Gold, the low fat spread. Nevertheless, operating profits fell from £21.7m to £20m. Unigate Chilled Distribution, which operates 14 depots, 7 of which are dedicated to major retailers, showed strong profits growth.

Unigate Poultry continued to have margins squeezed in an oversupplied marketplace with profits of £7.2m compared with £11.5m, dented by over £1m by a strike in March.

Profits of £33.5m (£34.3m) at Unigate Dairies were slightly down despite the acquisition of John's Rationalisation costs were taken above the line unlike those of the dairy division of rival rose considerably from £7.4m to £12.6m reflecting acquisitions, which totalled £61m, and capital expenditure of £124m.

The performance of St Ivel - the yoghurt to cream division improved in the second half with

account for about 23 per cent of operating profits.

Giltspur's profits were down, from £9.7m to £7.5m, because of the sale of the engineering companies and the relocation of Marler Haley's facilities. Expo UK was strengthened by the acquisition of two exhibition service facilities.

US profits, £9.8m compared with £10.5m last time, were adversely affected to the tune of £1.4m by adverse exchange rates. The Black Eyed Pea chain performed well but profits declined at Taco Bueno, the Mexican-style restaurant chain which is under competitive pressure.

Mr John Darby, finance director, commenting on current year trading said: "The poultry market continues to be weak but trading in other major areas, especially Wincanton and St Ivel, started the year reasonably well".

See Lex

Crescent accused of Companies Act breach

BY NIKKI TAIT

THE LONG-RUNNING battle over Crescent Japan, the £124m investment trust where an American concert party is agitating for unitisation, took another twist yesterday as the concert party claimed that Crescent had breached the Companies Act by failing to make certain shareholder information available.

An extraordinary general meeting is to be held on Monday morning to vote on the unitisation proposals, and the accusation comes just forty-eight hours ahead of the closing date for proxy votes.

The information which the

concert party says it requested concerns beneficial share owners behind various nominee names on the register. The Americans say that they first requested this information on March 18, and repeated this on a number of occasions - most recently in letters dated May 26, May 31 and June 7. The letters requested the information within ten days, as stipulated by the Companies Act.

"Prior to June 14, the company's officers denied that Crescent had such information," says the concert party's adviser, Olliff & Partners. However, on Wednesday, Olliff says that the informa-

tion was released and covered over 200 requests to shareholders, over 400 replies received and over 750 individual beneficial accounts. Last night, Olliff estimated that between 10 and 20 per cent of Crescent's shares could be covered by this information.

It says it has passed details of the breach to the Department of Trade and Industry and the Stock Exchange, although neither body appeared to be aware of the complaint last night.

Crescent countered by saying that in March it did not have up-to-date information to supply, and that - allowing for Bank

Holidays and weekends - it had virtually complied with the ten-day limit after the May 26 request. It conceded that there might have been a small "technical" breach in the timetable.

It added that it viewed the latest complaint from the American as "a last-ditch attempt to salvage their position."

The concert party says that it is not attempting to get the meeting postponed, although it claims it has been disadvantaged in soliciting proxy votes. However, Olliff says that its clients reserve all their legal rights against the company and its officers.

Helical Bar has 5.1% of Stanley Miller

BY NIKKI TAIT

SHARES IN Stanley Miller, the Newcastle-based property and building group, jumped a further 23p to 183p yesterday, on news that Helical Bar, the property company run by Mr Michael Slade, had picked up a 5.1 per cent interest in the group.

The holding was bought on June 13. Helical said that before

that date it held no shares in Miller. Back in early April, Miller shares were trading at about 56p, but have risen strongly since mid-May.

Yesterday, however, Mr Slade said that the stake was "purely and simply an investment" although he would be very pleased if a trading relationship

came out of it. He was not, he added, thinking along the lines of a full bid. "We have considerable commitment to the north-east," he commented.

Yesterday, Mr Harry Midgley, Miller's managing director, added that Mr Slade had been in contact with the company, but had assured the company that notifi-

cation was intended.

A meeting between the two companies now seems likely. Aside from the Helical Bar stake, a formidable 29.9 per cent interest in Miller is held by North Eastern Investment Trust, a private company owned jointly by Mr Midgley and non-executive director Mr Ian Liddell-Grainger.

This announcement appears as a matter of record only

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Credit Suisse	The Fuji Bank, Limited
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Facility Agent and Tender Panel Agent
International Westminster Bank PLC

May 1988

Packer lifts stake in Courtaulds to 4%

Mr Kerry Packer, the Australian entrepreneur, has increased his stake in Courtaulds, textiles and chemicals group, to 4 per cent.

Earlier this year Mr Packer spent almost £50m in buying 13.75m shares, representing 3.5 per cent of Courtaulds' equity. The share buying was conducted surreptitiously on behalf of CP International Investments, an investment vehicle owned by Mr Packer registered in the Netherlands Antilles and run from Hong Kong.

Courtaulds confirmed yesterday that Mr Packer has since bought a further 0.5 per cent of its shares. As a result his holding now stands at 4 per cent.

Beecham to buy own shares

Beecham, the pharmaceuticals and healthcare group, is seeking the authority to buy its own shares in the market. At its annual general meeting, scheduled for July 27, it will ask shareholders' permission for the right to buy up to 10 per cent of its shares.

The company stressed yesterday that it had no present intention to start buying in the shares, but wanted to have the flexibility to do so if it felt as though it would be beneficial to shareholders.

Other companies which have taken such powers recently include Guinness, Associated Newspapers, and Lorrain. Beecham's shares fell yesterday by 5p to 468p.

Beazer has over 96% of Koppers

UK building group Beazer's £150m offer for Koppers, the US chemicals and aggregates group, expired on June 15. At that time Beazer owned or had acceptances for 96.4 per cent of the ordinary shares and 86.1 per cent of the preference shares.

Electra falls to £3.56m halfway

BY MARTIN DICKSON

Electra Investment Trust, which has a particularly high proportion of its investments in unlisted securities, yesterday reported both a drop in interim pre-tax profits from £7.12m to £3.56m and a 21.5 per cent fall in fully diluted net asset value per share. This follows last October's market crash.

However, the trust said the outlook for the second half was more encouraging.

Several of the company's unlisted investments were nearing the stage of either sale or flotation. These include Fairley Group, which was the subject of a management buy-out and is now planning a flotation.

In addition, the level of activity in new investment opportunities

in the unlisted sector has recently increased substantially. Net asset value at March 31 stood at 240.6p a share on a fully diluted basis, against 306.52p at September 30. Basic net asset value was 268.79p (382.77p). Earnings per share in the six months to March 31 totalled 1.614p (3.051p) and the interim dividend is unchanged at 2.4p.

The drop in profits was attributed to three major factors.

First, during the October crash there was a significant loss of income from the company's investments in certain New York-based financial services companies, primarily as a result of arbitrage activities.

Second, there was the cost of carrying three major underwrit-

ing positions in the UK (including the British Petroleum offer for sale), in respect of which compensating income was not received until after the end of the period.

Finally, Electra's expense base had risen, both in terms of staff and facilities, to meet "the increased competition for investment opportunity". The company said that substantial progress was being made with its two principal associated companies, Electra Property Finance and Electra Aviation. The trust's New York office was now open, was already taking an active role in helping manage the existing specialist US portfolio and was starting to generate some interesting new investment ideas.

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May, 1988

UK COMPANY NEWS

New business helps GGT to £3.24m

BY ANDREW HILL

Gold Greenlees Trot, advertising and marketing services group, increased pre-tax profits by 85 per cent to £3.24m in the year to April 30, compared with £2.4m in 1986-87.

The agency is responsible for the Holsten Pils, Toshiba and Ariston advertising campaigns and handles corporate communications for Pearson, owner of the Financial Times.

Turnover rose 22 per cent in 1987-88 to £58.2m (£47.6m). Earnings per share increased by 32 per cent from 17.01p to 22.37p.

Mr Michael Greenlees, joint chairman, said the results were stronger than anticipated at the interim stage, reflecting additional assignments awarded to Gold Greenlees Trot Advertising in the second half, and outstanding performances from Option One.

At the moment, the advertising operation contributes about 65 per cent of profit, the balance coming from Option One and RMC.

"Inevitably, we will be placing the emphasis in future on developing the marketing services business. We anticipate growth

from the pure advertising operation, but non-media related business will also increase over time," said Mr Greenlees.

Since the year-end GGT has moved into the US with last month's acquisition of Babbit & Reiman.

The group has also won the Daily Mirror advertising account and has been appointed by the Government's Central Office of Information to handle the launch of the new Employment Training programme. Mr Greenlees said the COI contract was worth about £7m for GGT's advertising arm, with more business generated for the rest of the group.

The directors have recommended a final dividend of 3.5p (2.8p) making 5.4p (4p) for the year.

comment GGT is one of the quieter advertising agencies, cautiously building a fine creative reputation, with the declared emphasis

on quality rather than quantity of acquisitions. The move into the US was made through the purchase of a small Atlanta agency, not a high-profile (and expensive) New York group, and GGT aims to build a network of regional offices. Further geographical expansion is possible - Europe is being examined - and analysts suggest future diversification into design and public relations. Past experience suggests such moves will be carefully considered, so while other agencies race on with acquisitions, GGT's thoughtful approach should pay off in the longer term.

Yesterday the shares advanced from 267p to 274p following a dull period before the results, which were slightly ahead of expectations. Forecast pre-tax profits of £4.1m in 1988-89 put the shares on a prospective P/E of about 10.

This is in line with the sector, but, given that GGT is still growing, the shares look reasonably good value.

Bradstock warns of profits slowdown

Bradstock Group, insurance and reinsurance broker, lifted pre-tax profits by just 8 per cent to £3.81m in the six months to end-March 1988.

The outcome compares with a 45 per cent expansion for the comparable period last year and growth of 32 per cent over the full year.

Mr David Bradstock, chairman, said the direct insurance side had performed "very satisfactorily" while the reinsurance side had advanced despite difficult market conditions.

Progress in the current year, he added, would not be at the same rate as in recent years, but the directors were confident that the group would maintain market share despite currency problems and a generally weak market.

The outcome came on turnover of £7.72m (£6.6m). Administrative expenses increased to £4.88m against £3.88m last time, but investment and other income picked up slightly to £969,000 (£893,000).

An increased tax charge accounted for £1.4m (£1.29m) and an interim dividend of 1.5p (1.4p) is to be paid from earnings of 9.9p (9.3p) per share.

Flexello drops into the red at half-time

COSTS INCURRED in the group's substantial reorganisation pushed Flexello Castors & Wheels into the red in the six months to end-March.

The provisions for employees' severance, factory reorganisation and relocation costs at the Slough and Swindon sites amounted to £440,000 and were taken above the line. This produced a pre-tax loss of £28,757 against a profit of £303,568 in the comparable half last time.

However, Mr G. Day, chairman,

said the present order book was high and "given the continuance of the present level of business" he looked forward to a further improvement in results for the full year.

Turoover during the period under review expanded by 13 per cent from £5.52m to £7.37m. There was a tax credit of £11,963 (charge of £119,024), leaving losses of 0.53p (earnings of 5.58p) per share.

The interim dividend is lifted to 1.5p (1.4p).

Losses cut to \$771,000 at New London Oil

New London Oil, oil and gas exploration and production group, yesterday revealed a taxable deficit of \$771,000 (\$430,500) for the year to end-March, reduced from \$1.04m last time.

Mr Paul Kesterton, chairman, blamed the losses on "the relatively high operating costs of the waterflood projects and the continuing high depletion rate". Cash flow from operations, however, increased to \$1.1m (\$230,000).

COMPANY NEWS IN BRIEF

ACATOS & HUTCHESON has set up P&W Plastics in a 50-50 partnership with Plasticos Meglas of Bilbao. The new company will make printed plastic containers primarily for the food and industry, and hoped to be based in Birkenhead.

ELECO HOLDINGS - Strategic Investments is interested in a total of 2.99m shares, 2.7m of which are, or will be, registered in the name of Chrislu Nominees, 40,000 will be registered in the name of the National Bank City Office Nominees and 250,000 will be registered in the name of Kayandav Nominees.

GRAHAM MOTOR - At the first closing date, acceptances to the offer from TSB had been received in respect of 9.12m shares (86.65

per cent). TSB now owns, controls or has acceptances in respect of 10.25m Graham ordinary shares (96.73 per cent). The offer is declared unconditional and will remain open.

J.JARVIS & SONS: Over 90 per cent of the shares have been committed to the offer from J.Jarvis Holdings; it has become unconditional and remains open.

JOHN WILLIAMS of Cardiff has contracted to buy seven freehold shops and two retail kiosks in Barnham, West Sussex, for \$515,000 to be met by the issue of 645,161 shares and \$215,000 cash. This is the first move towards diversifying from an engineering base into other more profitable areas. Vendor is Oakburn Properties; the properties currently produce rents of £48,650 annually.

Australia Investment

In the half year ended March 31 1988 Australia Investment Trust lifted earnings from 0.32p to 1.28p, and is paying an interim dividend of 0.25p on capital increased by a rights issue and is forecasting not less than 1p for the year.

The total would compare with 2.7p actual in 1986-87, or 0.79p adjusting for the new capital. At March 31 net asset value had fallen to 111.4p (160.8p), but by the end of last month had moved to 120.5p reflecting the continued recovery in the Australian stock market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the sub-divisions shown below are based mainly on last year's transactions.

Table with columns: COMPANY, DATE, INTERIM, FINAL. Includes companies like Anglo Television, Company of Designers, Economic Forestry, etc.

HONG KONG. The Financial Times proposes to publish this survey on: 23 JUNE 1988. For a full editorial synopsis and advertisement details, please contact: PETER HIGHLAND on 01-248 8000 ext 3595.

Care of The Environment. The Financial Times proposes to publish this survey on: 22nd July 1988. For a full editorial synopsis and advertisement details, please contact: S.P. Dunbar-Johnson on 01-248 8000 ext 4148.

West German Banking, Finance & Investment. The Financial Times proposes to publish this survey on: 22nd July. For a full editorial synopsis and advertisement details, please contact: Darren Dodd on 01-248 8000 ext 3472.

Company Notice

Inchcape. Inchcape (Bermuda) Limited U.S. \$35,000,000 6% per cent. Convertible Guaranteed Bonds 1992 (the "Bonds"). Convertible into Ordinary Shares of Inchcape PLC.

Inchcape. Inchcape (Bermuda) Limited U.S. \$40,000,000 8 per cent. Convertible Guaranteed Bonds 1995 (the "Bonds"). Convertible into Ordinary Shares of Inchcape PLC.

RHONE POULENC S.A. \$ U.S. 300,000,000 UNDATED FLOATING RATE CAPITAL NOTES. For the six months, June 16, 1988 to December 15, 1988, the rate of interest has been fixed at 8 1/4% P.A.

A YEAR OF INVESTING IN OUR STRENGTHS.

In a difficult year in many of our markets, Unigate returned a pre-tax profit of £94.0 million for the year to 31st March 1988. This is 10% down on last year. Part of this shortfall came from the effects of poor summer weather, a weak American dollar and over-supply problems in some of our food markets. Over the last five years, pre-tax profits have now grown at an annual average of 17%. The year saw record investment for Unigate's future growth. £61 million was invested in acquisitions. A further £124 million was assigned to capital investment in the existing businesses, with the main emphasis on the U.K. food activities and Wincanton.

- OTHER SALIENT FEATURES OF THE YEAR: Sales up 10% to £2,165 million (1987: £1,970 million). Earnings per share: 27.6p (1987: 30.6p). The Directors have recommended a final dividend of 7.70p giving a total dividend of 12.65p per share for the year. This is 10% more than in 1987. U.K. Food: St Ivel retains its leading position in the chilled food market; Unigate Chilled Distribution moves ahead; Unigate Poultry commences investment in major new chicken facility in Humberside. Dairies: Job's Dairies acquired. Wincanton: profits up by 20%; quality enhanced by winning several major hire and distribution contracts.

Giltspur: maintains healthy profits after disposal of engineering businesses. To reserve your copy of the Unigate Annual Report, please send the coupon to the address shown. If you would like a copy of the 1988 Annual Report, please write to: Public Affairs Department, Unigate PLC, Unigate House, Western Avenue, London W3 0SH. Unigate FOOD · TRANSPORT EXHIBITION SERVICES

The contents of this statement, for which the Directors of Unigate PLC are solely responsible, have been approved for the purposes of section 57 of the Financial Services Act 1986 by an authorised person. Past performance is not necessarily an indication of future performance.

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SHARE CAPITAL
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Ordinary Shares of 5p each

Group Reorganisation

Following a group reorganisation which has been effected by a share exchange offer by J. Jarvis Holdings p.l.c. for the whole of the issued share capital of J. Jarvis & Sons p.l.c., J. Jarvis Holdings p.l.c. is now the new group holding company.
The Council of The Stock Exchange has admitted the whole of the issued share capital of J. Jarvis Holdings p.l.c. to the Official List. It is expected that dealings in the new shares will commence on 17th June 1988.
Listing Particulars relating to J. Jarvis Holdings p.l.c. are available in the Extel Statistical Services and copies may be obtained during normal business hours up to 21st June 1988 from the Company Announcements Office of The Stock Exchange or up to 1st July 1988 from:

J. Jarvis Holdings p.l.c.
239 Vauxhall Bridge Road
London SW1V 1HH

PK English Trust Company Limited Citicorp Scrimgeour Vickers Limited
4 Fore Street, London EC2Y 5EH Cottons Centre, London SE1 2QJ

17th June 1988

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To apply please send a full CV, quoting reference no F711, listing separately any companies to whom you do not wish your details to be sent to:

Kath Boakes, Account Manager,
Hoggett Bowers Advertising, Grove House,
551, Lodon Road, Isleworth, Middlesex, TW7 4DS.
All applications will be forwarded directly to our client who will conduct the interviews.



HOGGETT BOWERS ADVERTISING

UK COMPANY NEWS
Body Shop's 46% growth below City expectations

BY VANESSA HOULDER

Body Shop International, the natural beauty products chain, yesterday announced a 46 per cent rise in pre-tax profits from £3.22m to £4.71m for the six months to March 31. Turnover increased by 56.4 per cent to £21.55m against £13.78m.
The results were slightly below City expectations and the share price dropped 5p to 61pp.

Mr Gordon Roddick, chairman, said that he expected the momentum of the first six months to be maintained both in the UK and abroad throughout the year.
Although underlying margins were maintained, there was an increase in overheads, he said. This resulted from costs of about £200,000 incurred in opening up stores in the US. The first store will be opened in New York next month and will be followed by

another three in the course of the year.
Nine stores were opened in the UK, bringing the UK total to 98. Overseas 34 stores were opened bringing that total to 230.
Overheads in the UK had risen in line with sales. The company invested about £200,000 in staff training and has expanded its training school from 1,200 sq ft into new premises of 10,000 square feet in central London.
The new warehouse complex that was financed by the £9.6m raised in March is ahead of schedule and should be ready for use in the summer of next year.

The board has declared an interim dividend of 0.9p, an increase of 50 per cent.

comment
Given the astronomical rating and paper thin market of Body

Shop's shares, a 5 per cent fall after results that were below expectations is not altogether surprising. It is not however particularly significant. The gap between the results and analysts' expectations is accounted for by training costs and start-up costs in the US - and these can be expected to repay in full. Although it will take at least two years for the US to break even, the scope thereafter looks enormous. Meanwhile, Europe may prove an even greater growth area with Germany, in particular, earmarked for some 300 stores within the next ten years. The reputation of the company in the City is still flawless - and on a forecast of 23m for the twelve months to September, this is reflected in a sky high rating of 45.

Cifer drops into the red

BY PHILIP COGGAN

Cifer, the USM-quoted electronics company, dropped into the red in the first half as had been predicted by Mr Oliver Newland, the chairman, at the group's Annual General Meeting.

Operating profits of £106,000 (£423,000) were wiped out by interest costs of £153,000 (£197,000) to give a pre-tax loss of £47,000 (£226,000 profit). Turnover in the six months to April 10 was down at £1.82m (£2.65m).
The company said that

although the benefits of previous cost saving exercises are now beginning to be felt, it could be difficult for the group to return to profitability in the full year. The second half is traditionally the company's less active trading period.

The chairman was also unable to give any positive news about the group's efforts to arrange a financial restructuring package. After earlier losses in 1984, the company was forced to borrow substantially from Lloyds Bank

and Investors in Industry (SI); those institutions remain supportive but a financial restructuring remains a "major priority".

Mr Newland said that the company had the ability to use its expertise in widening its product development programme but whilst interest charges were heavy, the development programme could only proceed slowly.

On the positive side, Mr Newland said that distributed product sales were increasing and maintenance revenues continued to grow.
Cifer's shares fell 1p to 13p.

Monument stake interest

THE FROZEN 29.54 per cent stake in Monument Oil & Gas, the small independent oil and gas company, appears to have attracted the attentions of Groupe Bruxelles Lambert and Nimex Resources. An announcement yesterday said that the two organisations became interested in the holding on June 8, but ceased to be interested two days later.
The holding is registered in the name of Baring Nominees, but

held by Lombard Odier et Cie, the Geneva-based private bank. Monument has served section 212 notices on Lombard Odier, attempting to discover the beneficial owners of the stake.

To date, the bank has declined to give this information, saying only that it is held on behalf of discretionary investment clients. In mid-May, Monument successfully applied for a court order disenfranchising the interest and barring any transfer of the shares.
Yesterday, Monument was unable to elaborate on the statement, beyond saying that it was required to notify any interest shown in the shares.

Splash in £4m retail acquisition

BY DAVID WALLER

Splash Products, T-shirt printer and character merchandiser, will more than double in size following the acquisition of Cerex Jewels for £4.05m. The move will take the company into retailing for the first time.
The bulk of the purchase price is to be financed by a 1 for 1 rights issue to raise £2.9m; a further £650,000 cash will be borrowed from the bank and the balance of the consideration will go to the vendor in the form of 1.16m new Splash shares.

In the rights issue, the new shares are to be offered to shareholders at 43p, against the 65p at which Splash shares were suspended yesterday morning.

Cerex operates 16 leasehold shops in London's West End selling gifts, souvenirs and T-shirts. Splash, which joined the USM last summer, said that the acquisition seemed a natural fit.

Last year, a quarter of Splash's turnover came from the sale of T-shirts and sweatshirts, whilst

the same goods represented a quarter of Cerex's turnover.

Turnover at Cerex for the year in April was £4.3m on which the company made pre-tax profits of £702,000. Net assets amounted to £723,000 at the year end.

The announcement of the acquisition came as Splash reported pre-tax profits of £258,000 (£103,000) on turnover of £1.98m in the six months to April 30. Earnings per share worked out at 2.96p (1.36p). The interim dividend is lifted to 1.5p (1.1p).

Needler in £18m placing

BY FIONA THOMPSON

Needler Group, a Canadian aggregate, asphalt and concrete block producer, is coming to the Unlisted Securities Market in a placing organised by Capel-Cure Myers.

Some 3.9m shares, representing 21.54 per cent of the enlarged equity, are being placed at 100p each, valuing the company at £18.4m. The placing will raise £3.97m. Existing shareholders are selling 1.03m shares and the 2.94m new shares sold will raise £2.5m for the company. This will be used for acquisitions in North America and Europe.

The company operates in

Brantford, Ontario, under the name TCG Materials. The TCG stands for Telephone City Gravel - Brantford being the home of Alexander Graham Bell, the inventor of the telephone. The late Mr Harold Needler, father of the company's current chief executive Christopher Needler, bought TCG in 1956 and it became part of his company Hovringham Gravel.

Needler increased pre-tax profits from C\$428,000 in 1983 to C\$6.3m (32.9m) in 1987, putting the shares on an historic p/e of 10.5.

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1988 RESULTS - ANOTHER RECORD YEAR

Profit before tax	£60.6m	UP 28%
Earnings per share (fully diluted)	24.9p	UP 23%
Profit attributable	£44.2m	UP 72%
Dividend	7.0p	UP 27%
Net borrowings	£20.3m	DOWN 84%

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HOLLYWOOD'S version of computers - beeping, talking androids that always outwit the bad guys - are already on the drawing boards in Japan.

They are called neurocomputers, or computers that think. Conventional computers can add up columns of numbers in a split second, but they cannot instantly recognise a face, learn from past experience or make a judgment based on prior knowledge. Neurocomputers, like the human brain, should be able to do all these things one day.

Fujitsu, one of Japan's leading computer makers, now has a show for visitors where little neurocomputers dressed like policemen chase and capture a "bad guy" robot, using ultrasonic, infrared and tactile sensors and primitive electronic neural networks.

Steven Spielberg, however, will have to depend on the special effects people for a while yet. Fujitsu says it will be at least 10 years before it has a neurocomputer which can do much more than party tricks. Most of the work on neurocomputers is still very much at the basic research level. None the less, the Japanese approach to basic research means that the next few years will not be without high excitement in this field.

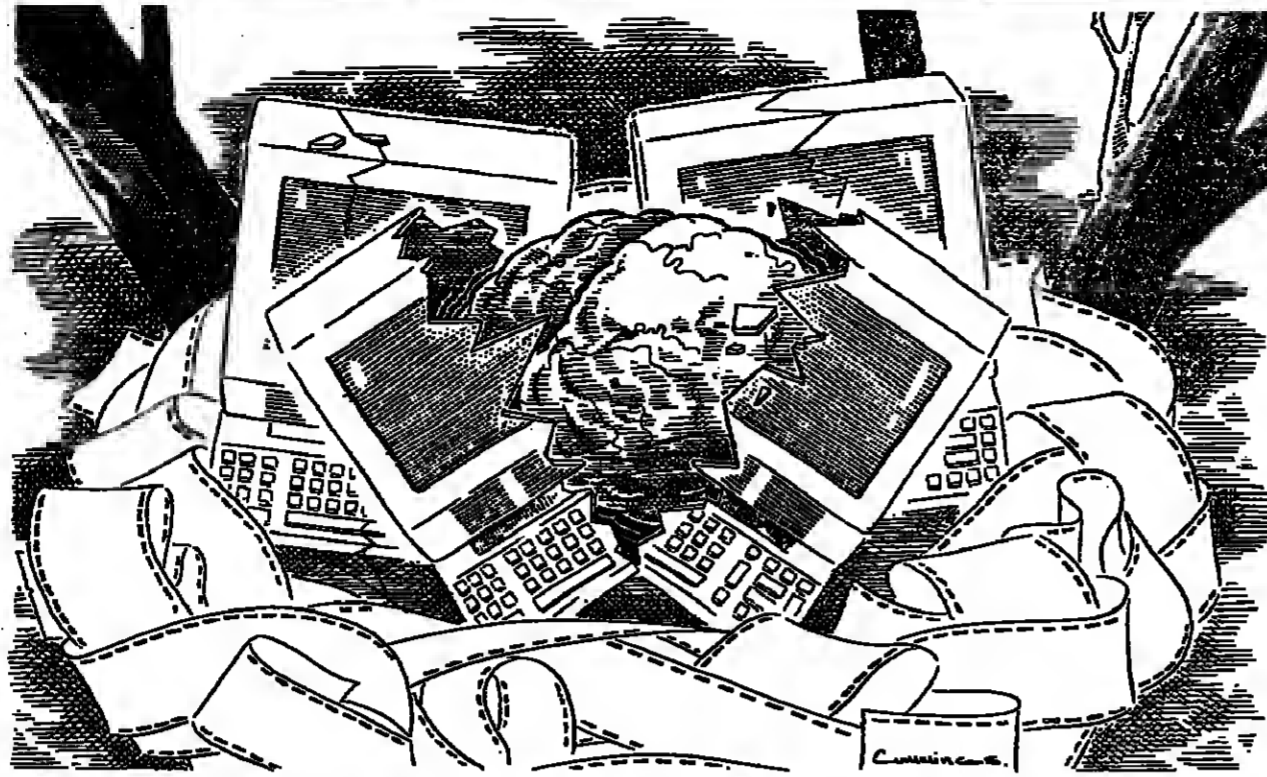
Later this year, for example, NEC plans to launch what it calls the first personal neurocomputer. Essentially a 7880,000 (£2,000) peripheral for its NEC personal computer, the neurocomputer package will have a small range of impressive applications, primarily its ability to "read" documents more swiftly and accurately than current optical scanning systems and at a much lower cost.

The Japanese have come to the business of neurocomputers rather late. Most of the pioneering work has been done by US academics, since the 1940s. In the last few years, when some basic experiments with neurocomputers began to look more promising, a handful of Japanese companies ploughed in, including Fujitsu, NEC and Hitachi. Unlike the largely theoretical approach of the US academics and IBM, however, the Japanese are eagerly looking for concrete uses.

But does the world need a neurocomputer? The Star Wars versions were all cuddly creatures with old-fashioned values. But it does not take much imagination to conjure up a more frightening vision of an electronic devil. After all, if these new machines will be able to learn and think, how will we know whether what they decide is right or wrong?

According to the scientists working in this field, these questions will not be raised for decades yet. Shorter-term, neurocomputers are seen as much less precise items of hardware and software than the conventional varieties, offering greater computer power more cheaply and more swiftly.

For example, even though semiconductors can process information a million times faster than a human neuron, only the brain can instantly recognise a Van Gogh masterpiece. This is because of the brain's ability to process information rapidly and send it simultaneously through thousands of different neural "pipelines". Although the neurocomputer cannot exactly emulate the brain, it does have electronic neural networks which can achieve results through learning and correction, rather than tumber crunching.



Cracking open the secrets of the human brain

Carla Rapoport examines progress made in Japan towards developing the neurocomputer - a machine which can think

"The uses of the computer are expanding from the traditional high-speed processing of information to functions that more closely resemble the functioning of the human brain: control, pattern recognition and knowledge-based information processing," states a recent Fujitsu paper on the subject.

"In these areas, however, conventional computers are being stretched beyond their limits because they can neither handle the enormous amount of information that must be processed within a specified time nor adapt to changes," Fujitsu says. Mr Masahiro Yamamoto, assistant general manager of NEC Research Laboratories, says he looks forward to using the neurocomputer to save time. "Say I want to know something ambiguous. In the conventional system, we have to put in all the information, but with a learning computer, the system can extend its knowledge in other fields. But this will be hard to achieve," he admits.

"The brain has more than 10m neurons. Fujitsu's cops-and-robbers neurocomputer, by comparison, has between 50 and 60, while the NEC personal neurocomputer has 99.

According to Mr Shigero Sato, a board member of Fujitsu Laboratories, the key

to the development of the neurocomputer will be to find the best methodology or mathematical scheme for the computer's neural networks. The current system is too slow. For voice recognition, for example, an essential quality for the average Hollywood android, the neurocomputer would need 10,000 neurons.

Voice synthesis, along with character recognition, may be less demanding, but speech recognition is the ultimate goal for any researcher who wants to put the computer into everyday life. A pocket translator, for instance, would be of world-wide significance if you could just speak into it and hear your words coming out in another language. Mr Sato, however, thinks that such a breakthrough will take another 10 years of research.

In the meantime, NEC remains optimistic about its personal neurocomputer with its ability to read documents. Traditional optical scanners have a higher error rate than its neurocomputer, NEC says, and cost about five times as much. However, the NEC product is limited to reading from a computer printer or a specific multi-font typewriter.

"We get good results on printed character only. We've experimented with handwritten characters, but it has not yielded

good results. This is just the first step. We think that even if the field of application is restricted, we will still find there is a need for the product," says Mr Masanori Mizoguchi, supervisor of NEC's Pattern Recognition Research Laboratory.

Applications will stretch into personal accounting, inventory and document reading for storage, he says. "It will enable a personal computer to read." Uses should widen as more PC users buy the machine. The initial sales target in the first year is set at a modest 1,000 or so units.

The NEC machine will consist of a software package and a neurocomputer engine board, which will plug into the NEC personal computer. It is priced below traditional optical scanning systems because it uses just four specialised semiconductor chips, called image pipeline processors, designed to ease data flow.

The cost advantages and speed afforded by the neurocomputer are tantalising Japanese engineers. "A conventional computer must be programmed based on logic, but a future computer will not be logic based. It could act on inspiration," says Mr Mizoguchi with a faraway look in his eye.

Powerful harvest of heat

Steven Butler on the advance of combined heat and power units

THIS WEEK technicians from Mitsui Engineering and Shipbuilding, part of the Japanese trading and industrial group, have been in Falmouth, in south-west England, collecting a first consignment of combined heat and power generators from Applied Energy Systems, a private British company.

After a world-wide search for suppliers of these machines, which achieve a high fuel efficiency by generating electricity and recapturing heat that is normally lost, Mitsui signed an exclusive distributorship agreement with AES covering the Far East.

It is an interesting reversal of a too familiar pattern of purchasers going to the Far East for supplies. Mitsui chose AES both because of its experience with CHP technology - AES dominates the small but rapidly growing US market for the equipment - but also because British labour is cheaper than Japanese.

AES, which had been struggling to increase modest sales at home, has now suddenly had the door opened to an international market.

Mr Clive Linnel, sales manager at AES, sees a day when a tiny three kilowatt CHP unit will sit next to the washing machine and fridge in place of the common household boiler. But he admits that even some of his colleagues regard this vision as impractical.

To date, the customer base has been mainly confined to leisure centres or hotels, where demand for heat and electricity is steady and strong. The most popular unit has been a 40 kilowatt one costing about £22,000 installed. About half of AES's business is in bigger units for offshore oil platforms.

Last year AES finished with its best sales total of 63 machines, and orders are now at record levels, including an initial one from

Mitsui for 12 AES pre-tax profits jumped from £17,407 to £90,219 last year.

The technology is designed to take advantage of simple laws of physics. Combustion of fuels releases energy in two forms - heat and mechanical energy that is caused by the sudden expansion of gases, yet most combustion machines waste one of these forces of energy while aiming to capture the other efficiently.

CHP captures both types, after a higher initial capital cost. Its principles are simple. An internal combustion engine, running on anything from gas to diesel, drives a generator shaft to produce electricity. Heat is gathered from engine cooling fluids and the exhaust and then transferred through a heat exchanger and put to use - heating water or buildings, or it can be harnessed to cooling equipment.

The ability to link the machines to air conditioning systems makes them potentially attractive in tropical developing countries, such as Indonesia, because a small, stand-alone system can be started up without having to install expensive transmission cables.

In a CHP unit more than 90 per cent of the fuel burnt is converted to electricity, compared with about 35 per cent in the average UK electric power generation plant. The appeal of these sorts of numbers has spawned a breed of CHP enthusiasts who argue that big power stations are becoming obsolete.

The technical breakthrough in recent years has not been in the basic processes of generating electricity and capturing heat - although these have been gradually refined - but rather in automatic control systems that make it possible to link stand-alone generators to the power mains and operate in parallel with them. If this were not possible,

most users would be unable to take full advantage of the machines since electricity consumption varies and storage of unused electricity is inefficient and expensive.

This linkage equipment has gradually become smaller, cheaper and more reliable. AES now installs a compact box of its own design that costs about £500.

After the Energy Act of 1983, which forced the CEBG to publish tariffs for the purchase and transmission of electricity to third parties, it became possible for AES to calculate the cost savings and pay-back periods for potential customers. Mr Linnel says Britain has now become the easiest place in the world for a generator of private electricity to hook into the main system by selling surplus electricity to the CEBG.

Indeed, proponents of the basic technology now argue that further plans to build large power stations should be scrapped, not only because CHP units could efficiently accomplish the same task, but also because of a potentially vast source of power that now sits idle in the form of standby generators that could be converted to CHP units.

A 1984 report commissioned by the Department of Energy from FEC Consultants, but never released, concluded that a potential of five gigawatts of electricity was available from standby generators. By comparison Sizewell B, the planned nuclear power station, will deliver 1.2 gigawatts.

More recently FEC has completed a two-year monitoring programme after converting a standby generator to a CHP unit. The results show that electricity was produced at 1p/kwh (compared with more than 4p charged by the CEBG), with a payback time of about 2½ years. It concluded that the experience could easily be replicated.

Japanese company plans US trial for AIDS drug

AJINOMOTO, the Japanese food and health products company, is to file an application with the US Food and Drug Administration (FDA) for approval of clinical trials of the drug lentinan as a treatment for AIDS, Renter writes from Tokyo.

Ajinomoto has set up Lenti-Chemico Pharmaceutical Laboratory, as a US subsidiary, to conduct the trials and San Francisco General Hospital and New York AIDS Coalition Hospitals have agreed to take part, says a company spokesman. The subsidiary, located in New Jersey, is capitalised at \$100,000 (£56,000).

The company also plans a clinical test on a

combination of lentinan and azidothymidine (AZT), the chemical name for Retrovir, the anti-AIDS drug sold by Wellcome of the UK. Retrovir is the only medication so far approved for treating the disease.

Clinical trials of lentinan have been conducted by Japan's Ministry of Health and Welfare since January 1987, through an AIDS study group set up to test five medicines.

Lentinan, which is extracted from a mushroom, stimulates the body's immune response. Ajinomoto and the Yamanouchi pharmaceuticals company have been selling it as an anti-cancer agent since November 1985.

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COMMODITIES AND AGRICULTURE

Green currency concession may break EC deadlock

A FURTHER attempt to break the deadlock over European Community farm prices was made in Luxembourg yesterday when the European Commission and the West German presidency of the Farm Council jointly agreed to offer concessions on green currencies.

Nymex board paves way for closer links between five New York exchanges

THE New York Mercantile Exchange (Nymex) paved the way for a closer relationship between all five New York futures exchanges when its board voted on Wednesday to complete merger talks with New York's Commodity Exchange (Comex).

Australia hits US sugar regime in Gatt

AUSTRALIA YESTERDAY attacked the highly restrictive US sugar import regime and said it was considering whether to ask for a Gatt enquiry. The US was operating a more trade-distorting policy even than that of the European Community, Mr Alan Oxley, Australian ambassador to Gatt, said.

US cool on EC idea to freeze farm subsidies

By Our Agriculture Correspondent The European Community's latest proposal that all governments should freeze farm subsidies at their 1984 levels is unlikely to prove acceptable to the US.

UK farmers not keen on set-aside scheme

BY BRIDGET BLOOM, AGRICULTURE CORRESPONDENT UK PLANS to compensate farmers for taking arable land out of production were greeted unenthusiastically by farming and other interested bodies.

W German interests agree plan details

BY DAVID GOODHART IN BONN WEST GERMANY'S Government, state governments and farming lobby appear to have agreed details of the country's set-aside scheme, likely to take 300,000 hectares to 400,000 ha of arable land from agricultural production over the next five years.

US smelters and power supplier fuse

A PERENNIAL problem facing commodity producers from farmers to mining companies is how to reconcile relatively constant costs with often wild gyrations of the market-place.

David Owen in Toronto on Bonneville Power's two-year-old variable rates experiment success

David Owen, British Foreign Secretary, is in Toronto for a two-day visit to meet with Canadian officials and to discuss the success of the Bonneville Power Administration's (BPA) two-year-old variable rates experiment.

UK farmers not keen on set-aside scheme

He said that if Mr MacGregor had allowed farmland to be grazed, much farming land could have been returned to traditional pasture with environmentally friendly low stocking and fertiliser rates.

W German interests agree plan details

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WORLD COMMODITIES PRICES

LONDON MARKETS

Table with columns: Commodity, Close, Previous, High/Low. Includes Aluminium, Brent Blend, WTI, and various oil products.

COCOA

Table with columns: Commodity, Close, Previous, High/Low. Includes Cocoa Beans and Cocoa Butter.

COFFEE

Table with columns: Commodity, Close, Previous, High/Low. Includes Arabica and Robusta coffee.

SUGAR

Table with columns: Commodity, Close, Previous, High/Low. Includes Raw Sugar and White Sugar.

WHEAT

Table with columns: Commodity, Close, Previous, High/Low. Includes Hard Red Winter and Soft Red Winter wheat.

GRAIN

Table with columns: Commodity, Close, Previous, High/Low. Includes Corn, Soybeans, and other grains.

LONDON METAL EXCHANGE

Table with columns: Commodity, Close, Previous, High/Low. Includes Aluminium, Copper, Lead, and Zinc.

POTATOES

Table with columns: Commodity, Close, Previous, High/Low. Includes various potato grades.

SOYABEAN MEAL

Table with columns: Commodity, Close, Previous, High/Low. Includes various soybean meal grades.

PREMIUM FUTURES

Table with columns: Commodity, Close, Previous, High/Low. Includes various futures contracts.

LONDON BULLION MARKET

Table with columns: Commodity, Close, Previous, High/Low. Includes Gold, Silver, and Platinum.

SOYABEAN MEAL

Table with columns: Commodity, Close, Previous, High/Low. Includes various soybean meal grades.

SOYABEAN MEAL

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SOYABEAN MEAL

Table with columns: Commodity, Close, Previous, High/Low. Includes various soybean meal grades.

US MARKETS

Table with columns: Commodity, Close, Previous, High/Low. Includes various US market commodities.

NEW YORK

Table with columns: Commodity, Close, Previous, High/Low. Includes various New York market commodities.

NEW YORK

Table with columns: Commodity, Close, Previous, High/Low. Includes various New York market commodities.

NEW YORK

Table with columns: Commodity, Close, Previous, High/Low. Includes various New York market commodities.

CRUDE OIL

Table with columns: Commodity, Close, Previous, High/Low. Includes various crude oil grades.

HEATING OIL

Table with columns: Commodity, Close, Previous, High/Low. Includes various heating oil grades.

COCOA

Table with columns: Commodity, Close, Previous, High/Low. Includes various cocoa products.

COFFEE

Table with columns: Commodity, Close, Previous, High/Low. Includes various coffee grades.

COFFEE

Table with columns: Commodity, Close, Previous, High/Low. Includes various coffee grades.

COFFEE

Table with columns: Commodity, Close, Previous, High/Low. Includes various coffee grades.

Chicago

Table with columns: Commodity, Close, Previous, High/Low. Includes various Chicago market commodities.

SOYABEAN MEAL

Table with columns: Commodity, Close, Previous, High/Low. Includes various soybean meal grades.

SOYABEAN MEAL

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stalls ahead of G7

THE DOLLAR made a partial recovery in currency markets yesterday but still showed losses from Wednesday. Investors were less inclined to hold exposed positions in the run up to the G7 Summit being held in Toronto at the weekend.

from an upward revised £1.4bn in the fourth quarter of last year. The market had been looking for a shortfall of around £1.95bn. In addition there was a downward revision in invisible earnings to \$400m per month from \$500m. Of the \$4bn deficit forecast for the whole year, 70 p.c. has already been recorded in the first quarter.

The pound's exchange rate index opened higher at 76.5, compared with Wednesday's close of 76.4, but finished at the day's low of 76.3. It was unchanged against a weaker dollar at \$1.7855, and DM1.325 in terms of the D-Mark. Against the yen it slipped to ¥125.75 from ¥126.20, and finished elsewhere at SFr1.4610 from SFr1.4560 and FF5.9125, unchanged from Wednesday. On Bank of England figures, the dollar's exchange rate index eased to 94.3 from 94.5.

STERLING BASED contracts fell sharply in yesterday's Life market as investors reacted to disappointing data on average earnings and first quarter current account figures. Three-month sterling deposits for September delivery were sold aggressively in active trading down to a low of 90.40, erasing the modest improvement shown by the opening price of 90.69 on Wednesday's close of 90.61. It closed at 90.41.

There was little comfort to be gained from the US bond market, where values were marked down after news of a strong rise in Japanese GNP. The dollar's hesitation ahead of the G7 meeting and the possibility of higher interest rates in Japan and West Germany pushed the September bond price down to 87.26 at one-fifth. It recovered slightly to finish at 88.01, still well down from Wednesday's close of 89.06.

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FINANCIAL FUTURES

Gilt prices sharply lower

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Table with columns: Contract, Price, Change, Volume. Includes LFF LONG GILT FUTURES OPTIONS and LFF US TREASURY BOND FUTURES OPTIONS.

Estimated volume total, Calls 967 Puts 4093. Previous day's open: Calls 2170 Puts 27107.

Table with columns: Contract, Price, Change, Volume. Includes LFF FTSE INDEX FUTURES OPTIONS and LFF EURO-DOLLAR OPTIONS.

Estimated volume total, Calls 166 Puts 100. Previous day's open: Calls 486 Puts 994.

Table with columns: Contract, Price, Change, Volume. Includes LFF SHORT STERLING and LFF EURO-DOLLAR OPTIONS.

Estimated volume total, Calls 425 Puts 910. Previous day's open: Calls 3666 Puts 6663.

EUROPEAN OPTIONS EXCHANGE

Large table with columns: Series, Vol, Last, Bid, Ask, etc. Lists various European options contracts and their market data.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various countries like Belgium, France, Germany, etc.

POUND SPOT - FORWARD AGAINST THE POUND

Table showing Pound spot and forward rates against the pound for various maturities.

STERLING INDEX

Table showing Sterling Index values for different time periods and currencies.

CURRENCY RATES

Table showing various currency rates including Sterling, US Dollar, Canadian Dollar, etc.

CURRENCY MOVEMENTS

Table showing currency movements and changes for various currencies.

OTHER CURRENCIES

Table showing rates for other currencies like Argentine, Australian, Brazilian, etc.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for various maturities and currencies.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table showing Dollar spot and forward rates against the dollar for various maturities.

EXCHANGE CROSS RATES

Table showing exchange cross rates between various currencies.

LONDON (LIFFE)

Table showing Liffe market data for various contracts.

CHICAGO

Table showing Chicago market data for various contracts.

SWISS FRANK (SMX)

Table showing Swiss Frank market data for various contracts.

U.S. TREASURY BILLS (CBOT)

Table showing U.S. Treasury Bills market data for various maturities.

U.S. TREASURY BONDS (CBOT)

Table showing U.S. Treasury Bonds market data for various maturities.

U.S. TREASURY BILLS (CBOT)

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BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

MONEY MARKETS

UK rates move up

A POOR set of figures in the UK current account deficit, plus a rise in average savings, helped reverse a softer trend in UK interest rates. An early improvement in sterling encouraged a small decline in opening interbank rates, but three-month interbank money finished higher at 84.84 p.c., up from 84.64 p.c.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing rates for various currencies and maturities.

LONDON MONEY RATES

Table showing London money rates for various currencies and maturities.

MONEY RATES

Table showing money rates for various currencies and maturities.

LONDON MONEY RATES

Table showing London money rates for various currencies and maturities.

NEW YORK

Table showing New York market data for various contracts.

Organic growth needs a great deal of care and just a spark of inspiration. Advertisement for Wincanton Group, featuring a large image of a car and text describing their services in fleet management, distribution, and motor retailing.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Allied Dunbar Unit Trusts, and others, including their names, managers, and performance metrics.

Table listing unit trusts such as British Shipley & Co Ltd, EPM Unit Trust Managers Ltd, and others, including their names, managers, and performance metrics.

Table listing unit trusts such as Grindlay & Co Ltd, Grindlay & Co Ltd, and others, including their names, managers, and performance metrics.

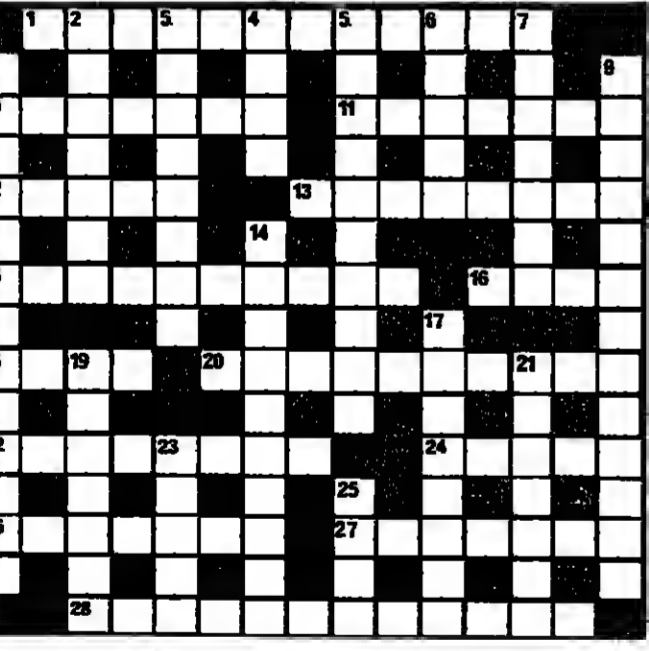
Table listing unit trusts such as Grindlay & Co Ltd, Grindlay & Co Ltd, and others, including their names, managers, and performance metrics.

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I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

Table with columns for 'ACROSS' and 'DOWN' crossword clues, including numbers and descriptions of words to be found.

FT CROSSWORD No.6,658 SET BY DINMUTZ

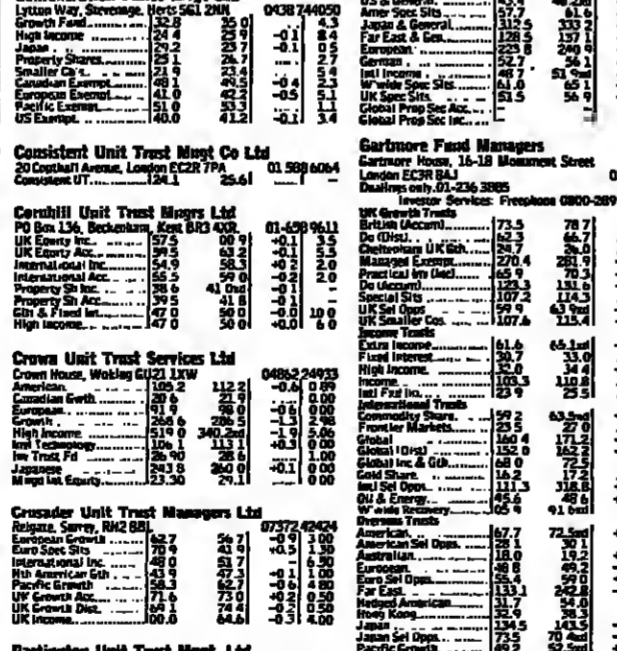


ACROSS 1 Means of assessing ground levels (7,5) 2 Sign of approval first of many papers (7) 3 It gives increased security to locks (8) 4 Border advantage (4) 5 Priestly, we hear, also carried off (10) 6 Entertainment showing in this London district (5)

Prices taken at 5pm and change is from previous close at 9pm

Table with columns for 'ACROSS' and 'DOWN' crossword clues, including numbers and descriptions of words to be found.

FT CROSSWORD No.6,658 SET BY DINMUTZ

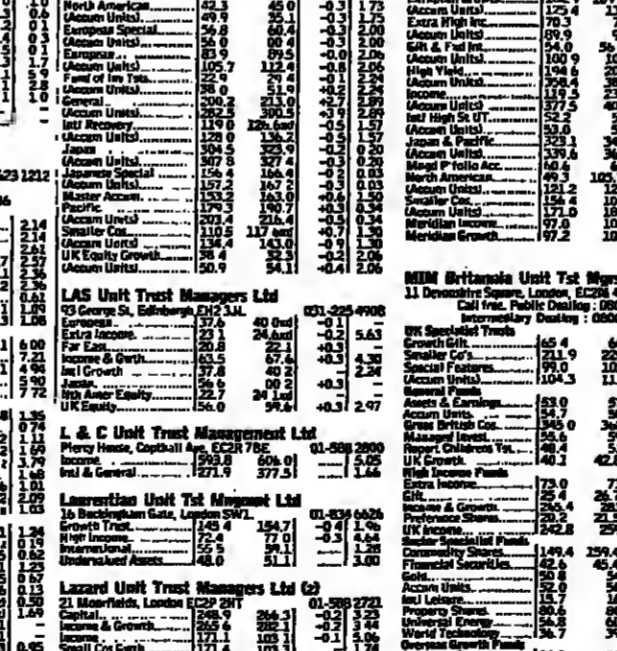


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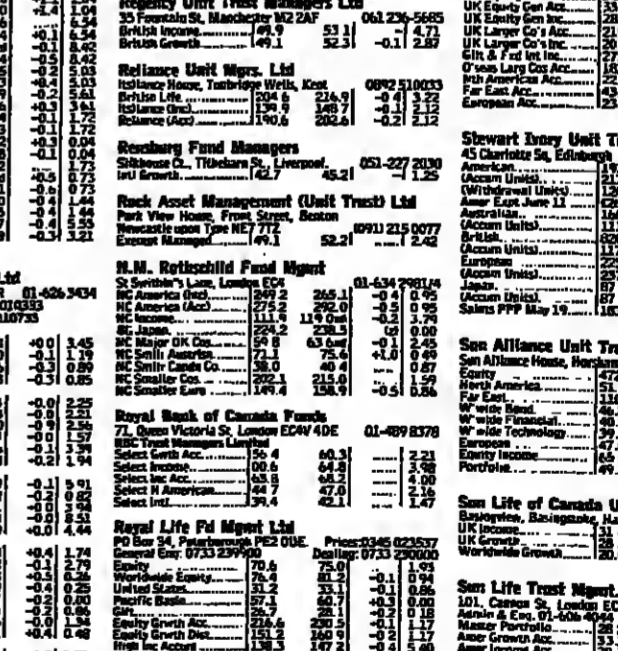


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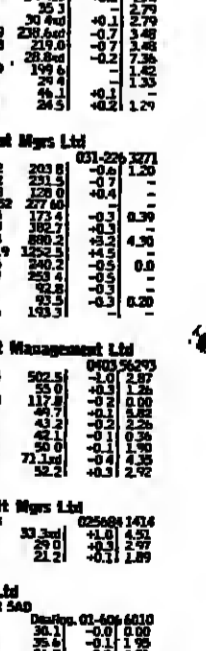


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Handwritten text at the bottom of the page: 'مركز الصناعات'

FT UNIT TRUST INFORMATION SERVICE

Handwritten note in Arabic script: "هكذا صحت احوال"

Table listing various UK Unit Trusts, including names like 'Target Trust Managers Ltd', 'Thames Valley Unit Trust Managers Ltd', and 'Trusts Unit Trust Managers Ltd', along with their respective details and contact information.

INSURANCES

Table listing various insurance companies and their products, including 'AA Friendly Society', 'Abney Life Insurance Co Ltd', and 'Abnott Management Ltd', with details on their offerings.

Table listing various financial services and insurance providers, including 'British National Financial Services', 'Commercial Union Group - Contd.', and 'Continental Life Insurance PLC'.

Table listing various insurance and financial products, including 'Continental Life Insurance PLC', 'Crest Financial Management Ltd', and 'Crest Insurance Ltd'.

Table listing various insurance and financial products, including 'General Accident Life Assurance', 'General Accident Life Assurance - Contd.', and 'General Accident Life Assurance - Contd.'.

Table listing various insurance and financial products, including 'Hill Standard Life Assur. Ltd - Contd.', 'Hill Standard Life Assur. Ltd - Contd.', and 'Hill Standard Life Assur. Ltd - Contd.'.

Table listing various insurance and financial products, including 'London Life', 'London Life - Contd.', and 'London Life - Contd.'.

Table listing various insurance and financial products, including 'London Life - Contd.', 'London Life - Contd.', and 'London Life - Contd.'.

Table listing various insurance and financial products, including 'London Life - Contd.', 'London Life - Contd.', and 'London Life - Contd.'.

OTHER UK UNIT TRUSTS

Table listing other UK Unit Trusts, including 'Bullfinch & Co Ltd', 'Crest Insurance Ltd', and 'Crest Insurance Ltd'.

Continued on next page

هكذا صنعنا القليل

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Type, and other details.

BRITISH FUNDS

Table of British Funds, categorized into 'Shorts' (Lives up to Five Years), 'Five to Fifteen Years', and 'Over Fifteen Years', with columns for Name, Type, and other details.

BRITISH FUNDS - Contd

Continuation of British Funds table, listing additional fund names and details.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails, listing international investment options with columns for Name, Type, and other details.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Table of International Bank and Overseas Government Sterling Issues, listing bond and issue details.

CORPORATION LOANS

Table of Corporation Loans, listing loan details and interest rates.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth & African Loans, listing loan details.

LOANS

Table of Loans, listing various loan products and terms.

Public Board and Ind.

Table of Public Board and Industrial issues, listing company names and share prices.

Financial

Table of Financial issues, listing company names and share prices.

AMERICANS

Table of American investments, listing US-based funds and their performance.

Money Market Trust Funds

Table of Money Market Trust Funds, listing various short-term investment vehicles.

Money Market Bank Accounts

Table of Money Market Bank Accounts, listing banking services and interest rates.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for stock name, price, and other financial metrics.

CANADIANS

Table listing Canadian stocks with columns for stock name, price, and other financial metrics.

BANKS, HP & LEASING

Table listing banks, hire purchase, and leasing companies with columns for stock name, price, and other financial metrics.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for stock name, price, and other financial metrics.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies with columns for stock name, price, and other financial metrics.

BUILDING, TIMBER, ROADS Contd

Continuation of building, timber, and roads companies table.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for stock name, price, and other financial metrics.

DRAPERY AND STORES

Table listing drapery and stores companies with columns for stock name, price, and other financial metrics.

DRAPERY AND STORES - Contd

Continuation of drapery and stores companies table.

ELECTRICALS

Table listing electrical companies with columns for stock name, price, and other financial metrics.

Table listing electrical companies (continued) with columns for stock name, price, and other financial metrics.

Table listing electrical companies (continued) with columns for stock name, price, and other financial metrics.

Table listing electrical companies (continued) with columns for stock name, price, and other financial metrics.

ENGINEERING

Table listing engineering companies with columns for stock name, price, and other financial metrics.

ENGINEERING - Contd

Continuation of engineering companies table.

FOOD, GROCERIES, ETC

Table listing food, groceries, and other companies with columns for stock name, price, and other financial metrics.

HOTELS AND CATERERS

Table listing hotels and caterers companies with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.)

Table listing various industrial companies with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.) - Contd

Continuation of various industrial companies table.

Continuation of various industrial companies table.

Continuation of various industrial companies table.

INDUSTRIALS (Misc.) - Contd

Continuation of various industrial companies table.

Continuation of various industrial companies table.

Table listing insurance companies with columns for stock name, price, and other financial metrics.

LEISURE

Table listing leisure companies with columns for stock name, price, and other financial metrics.

Handwritten text at the bottom of the page: "مركز ابحاث"

LEISURE - Contd

Table of stock prices for Leisure sector including companies like Leisure World, Leisure World Leisure, Leisure World Leisure, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of stock prices for Paper, Printing, Advertising sector including companies like Newsprint, Newsprint, Newsprint, etc.

TEXTILES - Contd

Table of stock prices for Textiles sector including companies like Textiles, Textiles, Textiles, etc.

TRUSTS, FINANCE, LAND - Contd

Table of stock prices for Trusts, Finance, Land sector including companies like Finance, Finance, Finance, etc.

OIL AND GAS - Contd

Table of stock prices for Oil and Gas sector including companies like Oil and Gas, Oil and Gas, Oil and Gas, etc.

MINES - Contd

Table of stock prices for Mines sector including companies like Mines, Mines, Mines, etc.

MOTORS, AIRCRAFT TRADES

Table of stock prices for Motors, Aircraft Trades sector including companies like Motors, Motors, Motors, etc.

PROPERTY

Table of stock prices for Property sector including companies like Property, Property, Property, etc.

TOBACCOS

Table of stock prices for Tobaccos sector including companies like Tobaccos, Tobaccos, Tobaccos, etc.

TRUSTS, FINANCE, LAND

Table of stock prices for Trusts, Finance, Land sector including companies like Finance, Finance, Finance, etc.

OVERSEAS TRADERS

Table of stock prices for Overseas Traders sector including companies like Overseas Traders, Overseas Traders, Overseas Traders, etc.

PLANTATIONS

Table of stock prices for Plantations sector including companies like Plantations, Plantations, Plantations, etc.

Commercial Vehicles

Table of stock prices for Commercial Vehicles sector including companies like Commercial Vehicles, Commercial Vehicles, Commercial Vehicles, etc.

Investment Trusts

Table of stock prices for Investment Trusts sector including companies like Investment Trusts, Investment Trusts, Investment Trusts, etc.

Finance, Land, etc

Table of stock prices for Finance, Land, etc sector including companies like Finance, Finance, Finance, etc.

Teas

Table of stock prices for Teas sector including companies like Teas, Teas, Teas, etc.

Rubbers, Palm Oil

Table of stock prices for Rubbers, Palm Oil sector including companies like Rubbers, Rubbers, Rubbers, etc.

Central Rand

Table of stock prices for Central Rand sector including companies like Central Rand, Central Rand, Central Rand, etc.

Components

Table of stock prices for Components sector including companies like Components, Components, Components, etc.

Garages and Distributors

Table of stock prices for Garages and Distributors sector including companies like Garages, Garages, Garages, etc.

Finance

Table of stock prices for Finance sector including companies like Finance, Finance, Finance, etc.

Mines

Table of stock prices for Mines sector including companies like Mines, Mines, Mines, etc.

Far West Rand

Table of stock prices for Far West Rand sector including companies like Far West Rand, Far West Rand, Far West Rand, etc.

O.F.S.

Table of stock prices for O.F.S. sector including companies like O.F.S., O.F.S., O.F.S., etc.

NEWSPAPERS, PUBLISHERS

Table of stock prices for Newspapers, Publishers sector including companies like Newspapers, Newspapers, Newspapers, etc.

Shipping

Table of stock prices for Shipping sector including companies like Shipping, Shipping, Shipping, etc.

Oil and Gas

Table of stock prices for Oil and Gas sector including companies like Oil and Gas, Oil and Gas, Oil and Gas, etc.

Central African

Table of stock prices for Central African sector including companies like Central African, Central African, Central African, etc.

Finance

Table of stock prices for Finance sector including companies like Finance, Finance, Finance, etc.

Diamond and Platinum

Table of stock prices for Diamond and Platinum sector including companies like Diamond and Platinum, Diamond and Platinum, Diamond and Platinum, etc.

PAPER, PRINTING, ADVERTISING

Table of stock prices for Paper, Printing, Advertising sector including companies like Paper, Paper, Paper, etc.

Shoes and Leather

Table of stock prices for Shoes and Leather sector including companies like Shoes and Leather, Shoes and Leather, Shoes and Leather, etc.

South Africans

Table of stock prices for South Africans sector including companies like South Africans, South Africans, South Africans, etc.

Textiles

Table of stock prices for Textiles sector including companies like Textiles, Textiles, Textiles, etc.

Australians

Table of stock prices for Australians sector including companies like Australians, Australians, Australians, etc.

Regional & Irish Stocks

Table of stock prices for Regional & Irish Stocks sector including companies like Regional & Irish Stocks, Regional & Irish Stocks, Regional & Irish Stocks, etc.

Traditional Options

Table of stock prices for Traditional Options sector including companies like Traditional Options, Traditional Options, Traditional Options, etc.

Industrial

Table of stock prices for Industrial sector including companies like Industrial, Industrial, Industrial, etc.

Property

Table of stock prices for Property sector including companies like Property, Property, Property, etc.

Oil

Table of stock prices for Oil sector including companies like Oil, Oil, Oil, etc.

Mines

Table of stock prices for Mines sector including companies like Mines, Mines, Mines, etc.

Notes

Notes section providing additional information and disclaimers regarding the stock market data.

LONDON STOCK EXCHANGE

Gilts and equities suffer widespread losses on UK trade and earnings statistics

Account Dealing Dates
First Dealings Date Last Account
Jun 6 Jun 15 Jun 17 Jun 27
Jun 30 Jun 30 Jul 1 Jul 11
Jul 4 Jul 14 Jul 15 Jul 23

IT WAS a switch-back trading session in the London equity market yesterday, with early gains sharply reversed after discomfiting statistics on UK trade and average earnings revived worries over inflation. A weak opening on Wall Street also depressed the market at the close.

Turnover was disappointing, with little sign yet of significant movement into UK equities by the big investment funds. However, equities bounced back after dipping to within a couple of points of the FT-SE 100's resistance level and the City remained somewhat more optimistic than it has been for many weeks.

The FT-SE 100 index was 30 points up in early trading with the overnight firmness on Wall Street buoying sentiment, if not turnover, in London. However, the rug was swiftly pulled from under both equities and gilts by the announcement of a revised UK trade deficit for the first quarter, from the originally projected £1.9bn to £2.8bn.

Following within minutes came the announcement that average UK earnings were showing an annualised rise of 8.75 per cent, and equities swung downwards to show a net fall of 12 points at worst, with sentiment additionally dampened by an early fall of 30 points in the Dow.

After a modest closing rally, the FT-SE 100 index ended a net 7.4 off at 1861.9. Sentiment, at 46.5, shows more witness to the continued absence of the institutional investors.

For many share sectors, most of the day passed without much activity on either the buy or sell side of the market equation. The fall largely reflected a bout of nervousness, brought on both by the UK economic data and also by reports in the Bundesbank might be about to raise its securities repurchase rate.

The international blue chips headed the downsizing but rallied before the end of the session. British Gas pleased the market with its trading figures, but the rest of the energy sector was quiet. Consolidated Gold Fields moved up sharply, although some analysts now doubt the bid stories which have circulated recently, and prefer to upgrade the stock on the fundamental strength of its gold interests.

Government bonds, already weak in response to a fall in US bond yields overnight, took a further turn for the worse following the UK trade and earnings

data. Not much retail selling was seen, but the absence of support was enough to take 1/4 off prices at the long end and around 1/2 in the mediums.

Index-linked brightened a shade when the 10 earnings figures reawakened inflation fears. But gains were very small, and turnover thin.

British Gas stood out, with a rise of 5 1/2 to 184 1/2, topping the list of active stocks with turnover of 30m shares after delighting the market with a significant increase in the dividend payout.

Some analysts had predicted a payment total of 7.5p, so 8p a share was very well received.

This represents a significant change in policy at British Gas, commented Mr Phillip Lambert at Kleinwort Greaveson, pointing out that the higher payment was made despite the board's comments on reduced domestic gas sales because of warm winter weather.

Defence-oriented Electricals were the day's heaviest traders. Support was generated by the feeling that, contrary to Government estimates, the decline in defence spending on the part of the US will be less severe than envisaged.

BZW has held a series of seminars or presentations with companies and the Ministry of Defence this week. Other security houses have hosted similar events.

BZW particularly favours Ferant, higher at 82p after turnover of 8.4m shares, but GEC were more active - 10m shares traded - and the close was 4 1/2 up at 153p.

Plessey also changed hands freely although the price recorded little overall movement, while volume in Bazel Electronics, slightly harder at 316p, totalled 5.4m shares.

FINANCIAL TIMES STOCK INDICES
Table with columns for Government Securities, Fixed Interest, Ordinary Index, Gold Mines, Dividend Yield, Earnings Yield, P/E Ratio, SEAG, Equity Turnover, Equity Values, Shares Traded, and Opening/High/Low/Close for various times of day.

Day's High 1484.9 Day's Low 1475.4
LONDON REPORT AND LATEST SHARE INDEX: TEL 0898 123001

cooling of speculative passions also brought a fall in Abbey Life (334p). National Westminster gave up a further 5 to 570p as the downgrading by Warburg Securities continued to bite.

With the exception of British Gas, the energy sector had a quiet session. There was speculative demand for Ultramar, up 8 at 309p on the market's upgrading of the Canadian refinery assets in the wake of prices achieved by Texaco's assets.

Dauphin International, an office seating company, began trading at a premium on the recent placing price of 105p. With a fully-listed quote, the shares opened at 112p and progressed to close first-time dealings at 116p.

Scottish & Newcastle regained ground late in the day when an institutional buyer appeared and the shares closed 4 dearer on balance at 329p.

Profit-taking in the wake of the preliminary figures left Body Shop down 30 at 610p. A press report that LPA Industries could shortly announce sharply higher profits touched off

an upsurge in the shares which ended 17 higher at 84p. VSEL Consortium produced annual pre-tax profits for the year of £17.6m which were above market expectations and the shares moved ahead strongly to close 17 up at 480p.

Hoare Govett's analysts are bullish of the stock and are now forecasting earnings per share of 80p for 1990. They also reckon the group has a good chance of winning the Canadian submarine contract.

Unigate confirmed that it had experienced a pretty rough year, revealing annual profits lower at £9.4m compared with £10.7m last time. The shortfall was no surprise to the market, however, and the shares hardened before easing to close slightly easier on the day at 329p.

Current favourites elsewhere in the Food sector slipped back on profit-taking led by Cadbury Schweppes, down 9 at 401p. A Tate & Lyle, 13 lower at 610p. A securities house "sell" recommendation triggered pressure on REIM, which fell 6 to 374p.

Fraserhouse Forte enjoyed a late advance which left the price 8 firmer at 254p on turnover of nearly 6m shares.

A quiet day in the building sector was enlivened by a late jump of 22 to 182p in Stanley Miller in response to news that Helical Bar, the property group, has acquired a 6.1 per cent stake in the company. Persistent demand for S. Miller recently was thought to have mainly reflected development prospects for some 25 acres of land on Newcastle's Quayside.

Helical Bar closed 5 better at 340p. Leisure brightened a drab market with a host of good news. BART & Wallace "A" spurred 9 to a high point for the year of 272p while Marina Development rose 11 to 289p and Leisure Investments 6 to 111p.

Radio stocks featured well with Picoacilly up 8 at 115p and Radio City 7 higher at 171p. Freshwick was one of the few casualties and fell 7 to 159p.

Currently popular Publishing and Paper issues retreated as short-term investors realised profits.

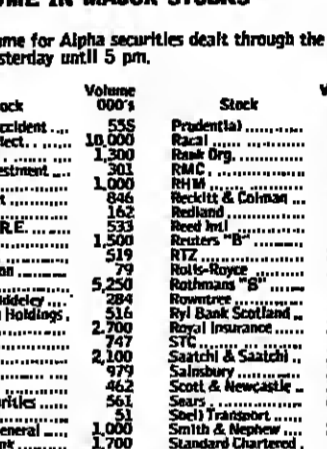
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Currently popular Publishing and Paper issues retreated as short-term investors realised profits.

expects the incheape price to reach 240p soon. As it was, the stock closed 5 better at 207p.

Business was brisk in Traded Options, particularly in British Gas, which with 6,874 calls and 2,430 puts accounted for almost a third of the day's total volume of 34,329 (23,784 calls and 10,544 puts). Gas excelled on the back of its figures and the increased dividend. The other star performer was again Hanson's Trust, with 1,575 calls and 1,016 puts as market-makers were reported to be dealing almost exclusively amongst themselves. Storehouse options were also active, particularly in the October 240 calls.

Traditional Options
First dealings June 13
Last dealings June 24
Last declarations Sept 15
For settlement Sept 24
For rate indications see end of London Share Service



NEW HIGHS AND LOWS FOR 1988
Table with columns for Stock, Volume, and Price. Lists various stocks like ASDA Group, Allied-Lyons, Anglo-Continental, etc.

TRADING VOLUME IN MAJOR STOCKS
Table with columns for Stock, Volume, and Price. Lists major stocks like ASDA Group, Allied-Lyons, Anglo-Continental, etc.

RISES AND FALLS YESTERDAY
Table with columns for Stock, Rise, and Fall. Lists various stocks and their price movements.

LONDON RECENT ISSUES
Table with columns for Issue, Amount, and Date. Lists recent issues of various companies.

FIXED INTEREST
Table with columns for Issue, Amount, and Date. Lists fixed interest issues.

RIGHTS OFFERS
Table with columns for Issue, Amount, and Date. Lists rights offers.

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WORLD STOCK MARKETS

Table of world stock markets including sections for ANZSEA, FRANCE, GERMANY, SWITZERLAND, SWEDEN, JAPAN, AUSTRALIA, and CANADA. Each section lists various stocks and their prices.

CANADA

Table of Canadian stock markets including Toronto and Montreal. Lists various stocks and their prices.

Table of Japanese stock markets including various indices and individual stock prices.

OVER-THE-COUNTER

Table of over-the-counter market data including Nasdaq national market closing prices for June 16, 1988.

INDICES

Table of various stock indices including Dow Jones, Nikkei, and other regional indices.

CHIEF LONDON PRICE CHANGES YESTERDAY

Table showing price changes for various commodities and currencies in London.

TOKYO - Most Active Stocks

Table showing the most active stocks in the Tokyo market.

Advertisement for Financial Times newspaper, featuring the headline 'It's attention to detail' and 'Travelling on Business'.

Advertisement for 'Travelling on Business in Italy?' featuring a photograph of a man and text about business travel in Italy.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Closing Prices June 16

Main table containing stock prices for various companies, organized in columns with headers for stock name, price, and change.

Continued on Page 41

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NYSE COMPOSITE PRICES

Table of NYSE Composite Prices with columns for 14 Month High, Low, Stock, Div. Yld., P/E, 100 High, Low, Close, Prev. Close, and 12 Month High, Low, Stock, Div. Yld., P/E, 100 High, Low, Close, Prev. Close.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices with columns for 14 Month High, Low, Stock, Div. Yld., P/E, 100 High, Low, Close, Prev. Close, and 12 Month High, Low, Stock, Div. Yld., P/E, 100 High, Low, Close, Prev. Close.

OVER-THE-COUNTER

Table of Over-the-Counter prices with columns for Stock, Div. Yld., P/E, High, Low, Last, and Change.

Advertisement for F.T. hand delivered in Belgium, featuring text about business centers and contact information for Brussels (02) 5132816.

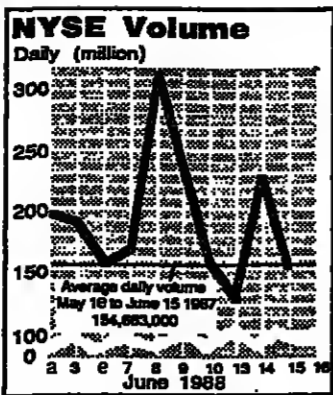
Advertisement for F.T. hand delivered in Norway, featuring text about business centers and contact information for Oslo (02) 684020.

AMERICA

Fears of overseas interest rate rise depress equities

Wall Street

THE POST-TRADE figures... Fears of overseas interest rate rise... The Dow Jones Industrial Average closed 37.16 points lower at 2,094.24 on volume of 162m shares.



Texaco was once again a featured stock. It fell 9% to \$49.4, after news that the company had signed a letter of intent with Saudi Arabia's national oil company for a joint venture which would take over Texaco's refining, distribution and marketing operations in the East and Gulf Coast regions of the US.

This probably makes it more difficult for Mr Carl Icahn to win his proxy fight for control of Texaco's board today. Pennwalt surged 7 1/4% to \$78.4, after news that Centaur Partners, a group of investors, now holds a 6.5 per cent stake in the company, and may seek control.

SmithKline Beckman slumped 8 1/4% to \$47.4, after a long delay before the stock opened. The company said it expected operating earnings and earnings per share this year to be between 5 per cent and 10 per cent lower than in 1987.

Canada

FALLING golds, base metals and industrials pushed down Toronto share prices in heavy trading yesterday. The composite index, which had risen about 1 point in earlier trading, dropped 7.95 points to 3,291.55, as declines outnumbered advances by 451 to 322 on active turnover of 38.6m shares.

ASIA

Funds flow in as Nikkei peaks again

Tokyo

MASSIVE funds continued to flow into leading stocks yesterday, despite investor wariness about the rapidity of the recent price rise. The Nikkei average reached another all-time high after its fourth straight advance, writes Shigeo Nishioka of Jiji Press.

fell Y4 to Y496 on the second heaviest trading of 75.53m shares. Kawasaki Steel rose Y10 to Y563, and Sumitomo Metal Industries and NKK climbed Y5 each to Y506 and Y530, respectively, all record highs.

Among chemicals, Sumitomo Chemical jumped Y30 to Y1,150, while Mitsui Mining and Smelting advanced Y8 to Y1,130 on expectations that the company's recurring profit estimate for the year ending in March 1989 would be revised sharply upward.

Australia

BRISK trading pushed the All Ordinaries index 11.9 points higher to 1,589.5 as the market retained its confident mood. Turnover was steady in advance of today's May trade figures, despite forecasts for a widening of Australia's current account deficit to around A\$700m from April's A\$696m.

Hong Kong

LIGHT profit-taking sent the Hang Seng index down 10.26 points to 2,693.50, but with turnover continuing its recent strong trend the market was well-sup-

EUROPE

Milan moves higher as other bourses falter

London

PROFIT-TAKING and concern over interest rates and the dollar left major European bourses lower yesterday, but Milan had a good day as the new trading account took off. FRANKFURT fell from the start as profit-taking gathered pace and the bond market was hit by reports that the Bundesbank planned to increase its main money market rate, the repurchase pact rate.

when the price ended DM12 lower at DM518. Bonds suffered losses of nearly DM1 amid heavy selling induced by the report of a planned rise in the repurchase rate next week from 3.25 per cent to 3.50 per cent. The Bundesbank declined to comment. The federal 6 1/2 per cent 1988 bond was fixed 90 pfg lower at 99.15, yielding 6.51 per cent after 6.49 per cent.

Paris

PARIS was also hit by profit-taking. The day saw moderate trading, with some operators starting to square their positions before next week's new monthly account. The CAC 40 index fell 6.79 to 342.73, while the CAC General eased 2.9 to 350.7.

Milan

MILAN started the new account in lively trading and the MIB index rose by 1.1 per cent to 1,007. As expected, blue chips announcing dividends were marked down, holding back the overall gain. Among impressive performers, the Fiat group stood out. Fiat commonly jumped 1.27% to L235 before falling back in after-hours trading, while the Agnelli family's holding company, IFI, which controls Fiat, was 1.56% better at L14.960.

another L133 to L2,178, a two-day gain of L188. MADRID ran into profit-taking after the market's recent good run. The general index lost 1.58 points to 3,500.4 with banking and investment stocks leading the way down. Banesto lost 13 percentage points to 1,422 per cent of nominal market value and Central retreated 5 to 1,235. Santander was unchanged at 1,460.

then followed when it opened weaker. The weighted ANP-CBS general index shaded to 258.3, down 0.9. Akzo gave up FI 1.50 to FI 119.40, while KLM lost FI 0.40 to FI 36.20 after declaring an unchanged dividend on virtually stable earnings. HELSINKI powered forward to record its third consecutive record high in heavy turnover. The Unitas all share index rose 0.7 per cent to 228.7, up 5.1 points from Wednesday's close.

SOUTH AFRICA

GOLD shares closed narrowly mixed in Johannesburg yesterday in cautious trading, rising earlier in response to a higher bullion price. Randfontein was unchanged at R266 after reaching R259 earlier. Vaal Reefs was up R1.50 at R265 and Beatrix gained 25 cents to R13.50.

There was reported to be almost full attendance by black workers at most of the gold mines, despite the stayaway elsewhere in commemoration of the Soweto riots.

In diamonds, De Beers slipped 20 cents to R35.65, and in mining houses, Anglo American lost 20 cents to R50.75 while Gencor gained 40 cents to R51 and Gold Fields increased by 25 cents to R55.75. Platinums were mainly mixed.

Alison Maitland on a Japanese sector that is forging ahead

Steels find work for idle lands

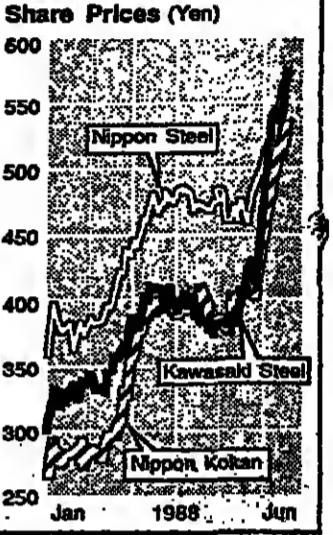
JAPANESE steel stocks have gained a further lease of life in recent weeks as attention has shifted from the remarkable recovery in their earnings to their plans to redevelop idle land and assets. For most of the past month, the giant steel companies have seen heavy trading, heading the list of most active issues on the Tokyo Stock Exchange, and their share prices have surged forward, outperforming an already record-breaking market.

Nippon Steel, the largest capitalised stock among the steels at around \$30bn, has seen its share price rise 22 per cent since mid-May to Y559 yesterday against a gain in the Nikkei average of less than 2 per cent. Kawasaki Steel, the second biggest of the stocks, has performed even more dramatically, soaring 49 per cent to Y563, while Nippon Kokan has scored a 33 per cent advance to Y530.

steel producers were losing money, their price-earnings ratios were "infinite", explains Mr Andrew Jacobs of Nomura Securities. Now that their earnings position has improved, their p/e ratios are back down to about 20 or 30 - low compared with the current market p/e of 55 and with a company like Nomura Securities, on a multiple of 40.

Nippon Steel, similarly, is being promoted on the redevelopment theme. It has decided to close five out of 12 blast furnaces over the next two years and to build grain silos, a glass factory and a holiday resort. The company also owns land in Chiba and is expected to benefit from the redevelopment of the area.

Another reason for the steels' popularity is their relative cheapness. Two years ago when the



inning popularity in recent weeks. Nippon Yusen has risen 9 per cent since mid-May to Y720 yesterday - a 53 per cent gain over the start of the year. Nippon Yusen is currently on a huge p/e ratio of 310, not unlike that of the steel stocks two years ago. Kawasaki Kisen has jumped 51 per cent to Y408 since mid-May, a 90 per cent rise since January 4, while Mitsui OSK is up 15 per cent on mid-May at Y406 and has virtually doubled since the start of the year.

FT - ACTUARIES WORLD INDICES

Table with columns: NATIONAL AND REGIONAL MARKETS, THURSDAY JUNE 16 1988, WEDNESDAY JUNE 15 1988, DOLLAR INDEX. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, West Germany, Hong Kong, Ireland, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. SA, World Ex. Japan, World Index.

Trusthouse Forte advertisement. Text: 'When we established our £250 million commercial paper programme with US dollar option, rated A1/P1/E1, we chose Midland Montagu as a dealer and as our issuing and paying agent. As a regular and active issuer in both currencies, we look to our dealers for responsive and flexible service, consistent and competitive bids for our paper, the ability to deal in size and evidence of broad distribution to end-investors. From our issuing and paying agent, we expect prompt and efficient settlement, reliability and good management information. I am pleased to say that Midland Montagu has performed outstandingly on all these fronts.' Morris Grosfeld, THF Group Treasurer.

Handwritten Arabic text: 'مركز ابحاث' (Research Center)